U.S. Department of State

FY 2000 Country Commercial Guide: Philippines

The Country Commercial Guides for Philippines and was prepared U.S. Embassy Manila and released by the Bureau of Economic and Business in July 1999 for Fiscal Year 2000.

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I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at the Philippines' commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

Real Gross Domestic Product (GDP) contracted in 1998, but the Philippine economy has now turned the corner on the Asian financial crisis and is experiencing modest growth. The recovery has been led by the agricultural sector's bounce back from 1998's weather-related 6.6% output losses. The Embassy projects a real GDP growth rate of 1.8 to 2.5% for 1999. Merchandise trade is also picking up steam, with a projected growth in total Philippine exports and imports of about 13% and 10%, respectively. U.S. exports to the Philippines, which represented nearly 23% of total Philippine imports in 1998, are projected to increase slightly in 1999. For U.S. exporters this is a good time to pursue business opportunities in the Philippine market.

Both the peso and the stock market have recovered from their September 1998 low points on the back of generally more stable regional currencies, inflows of foreign funds and lower interest rates. Agricultural recovery is also leading to slower inflation, which is projected to be about 8-9% for 1999.

Improving longer-term fiscal stability remains among the Philippines' most important challenges. Weak public finances impede investments in much-needed infrastructure and the delivery of essential services, which could affect the country's competitiveness in the rapidly globalizing world economy. The challenge now for the Philippines is to lay a firm foundation for a return to the kind of growth (4-6%) it enjoyed before the crisis. This will require a renewed commitment to and implementation of reforms that address the country's structural weaknesses. The Estrada Administration has on numerous occasions reiterated its commitment to continuing the reforms of the previous administration, although vested interests are hampering further liberalization in some areas.

American firms are continuing to recognize the attractiveness of this market. Despite an overall 16% decline in foreign direct investment in the Philippines in 1998, new U.S. direct foreign investment in the Philippines more than doubled in 1998 compared to 1997, increasing from $116.7 million to $243 million. The U.S. is the largest foreign investor in the Philippines with a cumulative equity investment of $2.72 billion in 1998, accounting for nearly one-third of total foreign direct investment in the Philippines. U.S. exports to the Philippines declined in 1998 due to the Asian financial crisis and the overall decline in Philippine imports. However, the Philippines remained our 20th largest export market overall. First quarter 1999 trade data show a slight increase in U.S. exports to the Philippines, indicating that this decline has now been reversed. Compared to other major U.S. trading partners in Southeast Asia, U.S. exports to the Philippines have been the first to recover from the regional economic slump.

Leading U.S. export sectors over the near-term continue to be: (1) telecommunication equipment; (2) information technology; (3) power plant equipment and services; (4) food processing equipment; (5) building products; (6) hotel and restaurant equipment; and (7) agricultural products. Sectors offering the greatest investment potential for U.S. firms are: electronics/semiconductor assembly; energy, including the power generation industries once the Omnibus Power Bill is passed; franchising; and information technology.

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II. ECONOMIC TRENDS AND OUTLOOK

A. Major Trends and Outlook

While not immune, the Philippines has been weathering the Asian financial crisis better than many of its neighbors. With the economy having taken off only in the early 1990s, the Philippines did not have as far to fall when a foreign exchange and financial crisis engulfed the region in mid-1997. Still in the early stages of the export growth wave -- financed by foreign investment in electronics and other export industries -- Philippine exports grew 17% in 1998 over 1997, the highest growth rate in the region in a year that saw many countries' exports decline despite the substantial depreciation of their currencies. The banking system remains generally sound and well-capitalized despite the rising level of bad debts, benefiting from accelerated efforts in the 1990s to reform capital markets, improve bank supervision, and strengthen prudential regulations. Burned by the debt crisis of the early 1980s, the bulk (over 80%) of the Philippines' $48 billion outstanding foreign debt (end-1998) is medium- to long-term, in contrast to more severely troubled neighboring economies. A relatively modest 27% ($12 billion) share of the foreign debt stock is owed by the private non-bank sector. The bulk of foreign currency loans extended by banks are hedged (i.e., owed by exporters and utility firms with automatic price adjustment mechanisms).

The economy is believed to have bottomed out after three consecutive quarters of negative year-on-year growth, with real first quarter 1999 GDP mustering a 1.2% expansion from its comparable 1998 level. That turnaround reflected a much-anticipated rebound in agricultural sector performance, after 1998's 6.6% year-on-year contraction due to El Nino and a succession of late 1998 typhoons. Government pump-priming efforts and a build-up in inventory levels after 1998's drawdowns also contributed to the economy's expansion. Industrial sector output remained weak, however, reflecting lethargic manufacturing activity and the continued slump in private construction demand. Although financial institutions remain wary about expanding loan portfolios, the government, in an effort to revive credit growth, has aggressively and successfully worked to ease domestic liquidity and to steer domestic interest rates down to pre-crisis levels.

The foreign exchange rate -- trading between 37.50-38.00/US$ in May and June 1999 -- has recovered from its August 1998 low of nearly 45 pesos/US$. The pre-crisis exchange rate was 26 pesos/US$. The international reserve position of the Bangko Sentral ng Pilipinas (BSP, the Central Bank) -- which dipped to an end-1997 level of $8.8 billion (adequate for less than two months worth of imports) -- has improved considerably. From end-1998, it expanded by 28% ($3 billion) to an end-May 1999 cushion of $13.7 (four months worth of import requirements), reflecting robust foreign loan and bond proceeds, Bangko Sentral net foreign exchange purchases, the country's trade in goods surplus, and net foreign investment inflows. Easing food supply and prices, and relatively more stable foreign exchange and interest rates, have eased inflationary pressures. Year-on-year inflation – which rose to double-digits in May 1998 and hit a crisis high of 11.6% in January 1999 – reverted to single-digits in February 1999 (9.9%), and has since slowed further (5.8% in June).

Although the economy has begun to recover, important concerns and challenges remain towards sustaining economic expansion, mainly: weak public finances and their impact on government infrastructure investments and manpower development; a low savings rate; and continuing vulnerabilities in the balance of payments (Chapter II – Sec. D). The agricultural sector, plagued by low productivity, absorbs 40% of the employed but contributes only 20% of Philippine GDP. Income distribution remains highly skewed, which calls for more determined efforts to spread the benefits of economic growth more widely. Barring further severe external shocks, the Philippines' longer-term economic prospects remain generally positive, provided that fiscal concerns are decisively addressed and liberalization and market-oriented reforms and policies continue.

B. Principal Growth Sectors

The Medium-Term Philippine Development Plan (MTPDP) 1999-2004 focuses on rural development, particularly the modernization of agriculture, to reduce poverty. Presently, agriculture employs 39.2% of the Philippine labor force but produces only 20% of gross value added. The MTPDP targets agriculture to grow from 2.6 to 3.4% in 1999-2004; industry by 5.1-5.7% and services by 5.2-5.7%.

According to the MTPDP, policies in the agriculture sector will be supported by policies to develop infrastructure in the countryside. The government plans to pursue deregulation and privatization programs to enable the private sector to improve basic infrastructure services such as power, water, transportation services (including rail-based systems) and telecommunications. The government also plans to develop the infrastructure in the rural areas, such as farm-to-market roads, feeder roads, irrigation, ports, bridges, and rural water supply systems.

C. Government Role in the Economy

Prices of goods and services are generally determined by free market forces, with the exception of basic public utilities (such as transport, water and electricity) which are subject to government control or oversight. Government regulation of prices of "socially sensitive" petroleum products (liquefied petroleum gas, regular gasoline and kerosene) ended in July 1998 with the full deregulation of the oil industry under the "Downstream Oil Industry Deregulation Act of 1998."

The previous administration of President Fidel Ramos privatized a wide range of public sector-controlled firms and activities, including water distribution services in Metropolitan Manila. President Estrada has repeatedly vowed to continue and expand his predecessors' deregulation and liberalization policies, although vested interests continue to pose obstacles to further liberalization and the pace of reforms. Because of limited financial resources, the Government has relied increasingly on the private sector to undertake vital infrastructure construction, maintenance and rehabilitation work under its Build-Operate-Transfer (BOT) scheme and similar arrangements. Legislation is pending in the Philippine Congress to restructure the power generation and transmission sector, introducing competition and privatizing the National Power Corporation.

D. Balance of Payments Situation

Strong export growth and slower imports dramatically reduced the merchandise trade gap from $11 billion in 1997 to only $28 million in 1998. Merchandise imports dropped by nearly 19% from 1997 because of a weaker peso, tight credit, and a lethargic economy. Imports of capital goods (41% of 1998's import bill) dipped 16% from 1997, while imports of raw materials and intermediate inputs (39% of 1998 merchandise imports) slumped by 39%. Merchandise exports grew 17% in 1998 over 1997. This was a deceleration from the 23% expansion recorded in 1997, but was the fastest rate of export growth in Asia. Semiconductors, microelectronics and computer peripherals accounted for almost all of the export growth and now represent nearly two-thirds of all exports.

Preliminary January to April 1999 trade statistics show merchandise exports up by a slower 12% year-on-year. However, imports were down about 6% from the first four months of 1998, resulting in a $295 million merchandise trade surplus. The Philippines posted consecutive monthly trade surpluses from June 1998 to March 1999, but posted a deficit in April, as imports began to pick up.

1998's improved merchandise account produced a $1.3 billion current account surplus (1.9% of GNP), the first surplus in 12 years. The overall balance of payments (BOP) reverted to a $1.4 billion surplus in 1998 (from a deficit of $3.4 billion in 1997). The government expects a current account surplus, larger net inflows of foreign financing, and improving investor confidence to boost the country's overall BOP surplus in 1999. Preliminary estimates as of May 1999 -- computed from the change in the Bangko Sentral's net international reserves -- placed the country's overall BOP position at a surplus of $2.7 billion. Nevertheless, continuing BOP vulnerabilities could limit the Philippines' ability to break away completely from the boom-and-bust growth pattern of the past. The recent BOP surpluses reflect foreign borrowings and the contractionary impact on imports of a weak economy.

The Philippines technically "graduated" from over three decades of IMF supervision in March 1998, but promptly entered into a two-year precautionary arrangement due to the regional currency crisis. The Estrada administration converted this program to a regular $1.4 billion standby arrangement in August 1998 and, as of the first quarter of 1999, had drawn over $500 million from the facility. The Philippines continues to receive financial assistance from other bilateral and multilateral creditors, such as the Asian Development Bank, the World Bank, and Japan's Overseas Economic Cooperation Development Fund.

VI. Infrastructure

During the last six years, the Philippine government has liberalized telecommunications, deregulated the air and water transport sector, privatized the supply of water, begun to address the environment, and resolved the power crisis. The government through its Flagship program has also fast-tracked the implementation of critical public investment projects and strategic infrastructure projects.

Most significantly, the private sector has been very active in the development of major infrastructure projects through the Philippine Build-Operate-Transfer (BOT) scheme. The BOT Law was recently amended to provide more incentives to the private sector. As of March 30,1999, there were 83 BOT projects, of which 33 are completed, 27 are either awarded or under construction, eight are for public bidding, and 15 are in the planning process. There are also 24 BOT projects for the Local Government Units (LGUs). One is completed, three are under construction, and 20 are in the planning/bidding process.

In addition to the ongoing BOT projects, there are other infrastructure projects (such as construction of roads and expressways) implemented through joint venture arrangements with private sector participation.

The Philippines also relies extensively on multilateral development banks and bilateral concessionary loans and grants to plan and build major infrastructure projects. Both the World Bank and the Asia Development Bank have extended loans for sectoral projects such as airports. Japan's Overseas Economic Development Fund (OECF) is the country's largest bilateral donor. Major aviation, rail, and port projects are financed through OECF. The U.S. Trade Development Agency (USTDA) and the U.S. Agency for International Development (USAID) are also actively involved in infrastructure development through providing grants to finance feasibility studies. In 1998, USTDA extended technical grants to six major projects in transportation and information technology.

The Estrada government plans to improve basic infrastructure in the rural areas such as farm-to-market and feeder roads, feeder ports, irrigation, rural water supply and electrification. For the next three years, infrastructure investment will be shifted from the highly developed megacenters like Metro Manila to regional growth centers to stimulate development in the countryside. According to government officials, infrastructure development will be closely interfaced with agri-industrial development and environmental management. The President's programs for agriculture include the implementation of the Agricultural Modernization Program in order to fulfill his campaign promise to promote food production and lower cost of prime commodities. The multi-billion peso food security program is the administration's first and biggest undertaking to boost the agricultural industry. The program also seeks to establish an information network to: link various research institutions for easy access to data on agriculture and fisheries research and information; introduce new farming technology and marketing schemes for farm products and organization of cooperatives; and build and improve post harvest facilities, since there are no modern grain-loading and handling facilities and ports have limited cargo handling facilities. Republic Act 8435 (the Agriculture and Fisheries Modernization Act) calls for an appropriation of Pesos 20 billion for the agricultural sector development, but funding has not yet been appropriated.

Private sector participation will be encouraged to accelerate financing, construction, and operation of major infrastructure projects in power, water, transportation, and telecommunications. Government officials have reiterated their intent to expand privatization efforts to include major government agencies involved in basic infrastructure.

III. POLITICAL ENVIRONMENT

In the post-U.S. bases era, U.S.-Philippine relations have improved and broadened, focusing more prominently on economic and commercial ties while maintaining the importance of the security dimension. Philippine domestic stability has elicited increased U.S. investment in the country, and the U.S. remains the Philippines' largest trading partner. The conduct of the May 1998 election and the transition to a new administration reinforces that stability. Meanwhile, a strong security relationship rests on our Mutual Defense Treaty and the recently approved Visiting Forces Agreement (VFA). Though U.S. aid to the Philippines has taken on a less prominent role than in the past, assistance programs continue, including the highly successful AID-sponsored Growth with Equity in Mindanao (GEM) program, which promotes development through private enterprise in a troubled part of the country. Longstanding historical and cultural links as well as extensive people-to-people interaction buttress the bilateral relationship.

Following the generally peaceful and orderly May 11, 1998 national election, Vice President Joseph Estrada was proclaimed president-elect and Senator Gloria Macapagal-Arroyo was proclaimed vice president-elect. They assumed office on June 30, 1998. President

Estrada has continued the Ramos administration's basic policy direction in both domestic and foreign policy. Estrada has repeatedly espoused his commitment to the free market, and has set as priorities for his government poverty alleviation, reform of the agricultural sector, and efforts against crime and corruption. Estrada has promoted strong U.S.-Philippine relations as demonstrated by his staunch support for the VFA.

On the domestic security front, the Estrada administration is continuing efforts to implement the peace treaties with the military rebels and the Moro National Liberation Front (MNLF), which had long been the main Muslim insurgent group. Negotiations are also on-going with the Moro Islamic Liberation Front, which emerged as the main Muslim insurgent organization following the treaty with the MNLF. The Communist National Democratic Front suspended negotiations following the approval of the VFA, but the government is continuing talks with local communist groups.

The Philippines has a presidential form of government patterned after that of the U.S., with separation of powers among the executive, legislative and judicial branches. The Philippine legislature plays a pivotal role in policy formation and even, to some extent, in implementation. Twelve of the twenty-four Senate seats were contested in the May, 1998 election, as were all the members of the House of Representatives.

A widespread popular consensus exists on the value of continued economic liberalization and the importance of foreign investment, as well as of strong U.S.-Philippine relations. Although, some import-sensitive manufacturing industries have become more vocal in lobbying for protection of their industries, the Estrada administration appears committed to liberalization.

IV. MARKETING U.S. PRODUCTS AND SERVICES

A. Distribution and Sales Channels

Philippine distribution and sales channels vary from product to product. Stocking distributors import consumer goods for resale to retailers. Capital equipment imports usually go through an agent or distributor before reaching the endusers. Some endusers, however, import directly. The use of local agents or distributors affects greatly the chances of the company selling the product or winning the project as agents are important market links. It is the agent who can monitor on a regular basis the development of the bidding process as well as the procurement opportunities. It is important that U.S. suppliers support their Philippine representatives through frequent contacts, regular training and promotional assistance.

If the customer imports directly from foreign suppliers and opens the L/C., the local rep or agent gets a commission for the sale (indent sale). Distributors handle after-sales service support.

Because of the current financial crisis and high interest rates, most importers have switched from being stocking distributors to becoming indentors. Stocking distributors are bound by a contract to buy and sell a prescribed number of items as stated in their agreement with the foreign suppliers. Indentors, on the other hand, act as a broker between foreign suppliers and end-user, saving on capital outlays for expensive equipment and avoiding stocking products that do not sell because they are too expensive. Usually, a buyer who orders from an indentor already has the financing for the goods.

Infrastructure projects such as transportation projects are open to internationally competitive bidding. U.S. firms submit their bids directly to the government implementing agency. A local agent is also an effective marketing tool. In selecting local firms as agents, U.S firms should consider whether the local firm is licensed or registered by the implementing agency or has done similar projects.

Despite the presence of a local agent, it is very important that the foreign manufacturers visit the country, especially before, during and after the pre-qualification process. Foreign suppliers must establish a strong personal relationship with the customer.

Metropolitan Manila is the country's nerve center of industrial and financial activity, transportation and communications, trade, and educational services. Approximately 85% of Philippine foreign trade passes through the Port of Manila; 90% of imports enter this Port for distribution to other principal cities via trucks and inter-island vessels. Most of the Philippine's national importers and distributors are in Manila.

Air freight is a recent trend in domestic distribution. DHL, Fedex and UPS all have joint-venture partners to service the growing domestic demand.

Makati City is the central business area in the country and the most prosperous of the Metro Manila suburbs. In addition to small manufacturing plants, there are also a considerable number of distribution centers, trading firms, government offices and commercial banks. Makati City is also a shopping area for higher income residents.

In addition to Manila, the other major interregional centers are Cebu City, Iloilo, Davao, and Zamboanga. Cebu City, the third largest city in the Philippines, is the prime trading center in the southern part of the archipelago. Its hinterland is mainly accessible by boat. Iloilo shares with Cebu the servicing of the country's central area. Davao, the second largest city in the Philippines, enjoys a trade monopoly in Southern Mindanao, due mainly to the presence of land and water connections with nearby provinces. Zamboanga functions partly as an interregional center. Transportation to the hinterland is almost entirely by water since there are only a few roads along the peninsula.

B. Information on Typical Product Pricing Structures

Price markups range from 10% - 30% of invoice value. Distributors explain that the rates allow them to recover all expenses incurred in importing the equipment -- import duties, value added taxes, discounts to customers, commissions to company-employed agents and independent provincial dealers, warehousing fees, shipping charges (some are charged to the importer), and other Bureau of Customs fees.

The Philippine Retail Association reports that most non-food retail items carry a 20% - 30% profit margin.

U.S. products have become more expensive due to the higher exchange rate. Importers suggest longer-term credits. For example, U.S. suppliers should extend a 60-day term to 120 days, or a 90-day term to 180 days so that importers can also extend similar longer credit terms to their clients.

C. Use of Agents/Distributors; Finding a Partner

Agent/distributor arrangements are common in the Philippines. Given Filipino affinity for American products, Filipino companies generally are eager to pursue discussions once they have examined a U.S. firm's product literature and have determined that there is a market for the product. U.S. manufacturers and their Filipino agents/distributors are bound by a contract which should contain the following key elements:

1.   General Provisions: Identification of parties to the contract, duration of the contract, conditions of cancellation, definition of covered goods, definition of territory or territories, and sole and exclusive rights;

2.   Rights and Obligations of Manufacturer: Conditions of termination, protection of sole and exclusive rights, sales and technical support, tax liabilities, conditions of sale, delivery of goods, prices, order refusal, inspection of distributor's books, trademark/patent protection, information to be supplied by the distributor, advertising and sales promotion, responsibility for claims/warranties, and inventory requirements;

3.   Rights and Obligations of Distributor: Safeguarding manufacturer's interest, payment arrangements, contract assignment, customs clearance, observance of conditions of sale, after-sales service, and information to be supplied to the manufacturer.

There are no Filipino laws that impede termination of an agent/ distributor contract, should either party wish to do so. Contracts usually specify that 30 days' notice must be given in the event of cancellation. Standard agent's commission is 5% but can vary somewhat.

There is no typical profile of a Filipino agent or distributor. Firms can range in size from small (fewer that 25 employees handling only a few specialized products on behalf of a limited number of manufacturers) to large trading companies handling a wide range of products and suppliers. Some Filipino firms focus only on the Metro Manila area, whereas others also service provincial commercial centers such as Cebu, Davao, Iloilo, and Baguio. Any Filipino agent/distributor should be registered with the Philippine Securities and Exchange Commission. U.S. firms selecting a Philippine representative should consider, along with the usual factors, the following: (a) whether the distributor has sufficient financial strength to maintain appropriate stock, provide effective after sales service, and allow competitive payment terms; and (b) whether the representative’s geographic sales area includes the increasing rich markets in central and southern islands of Cebu and Mindanao. U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. & Foreign Commercial Service, Manila, such as the "Agent/Distributor Service (ADS)" or the "Gold Key Service."

D. Franchising

Franchising allows a foreign company (franchisor) to “operate” locally by appointing its franchisee. The franchisor collects a fee for the use of its name and trademarks. A franchisor can also earn royalties on sales. Philippine retail laws (Retail Trade, Republic Act 1180) prohibit foreign equity positions in franchises. Nevertheless, many foreign franchises, mostly American, are operating in the Philippines through licensing arrangements.

Under the Intellectual Property Code, which took effect on January 1, 1998, franchisors no longer have to register franchise agreements as long as their agreements do not contain any of the prohibitive clauses under Section 87 and contain all the mandatory provisions under Section 88 of the IP Code. The new law also removed the ceiling on royalties. Royalty payments may be remitted through any Authorized Agent Bank (AAB) of the Bangko Sentral ng Pilipinas (Central Bank).

Master Franchise fees vary from $100,000-$400,000, depending on the type of business. Royalties depend on the agreement between the parties. Higher operating costs such as rent and imported goods, however, still confront franchise operators.

The prohibitive clauses under Section 87 are:

- Those which impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor;
- Those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license;

- Those that contain restrictions regarding the volume and structure of production;

- Those that prohibit the use of competitive technologies in a nonexclusive technology transfer arrangement;

- Those that establish a full or partial option in favor of the licensor;

- Those that obligate the licensee to transfer for free to the licensor the inventions or improvements that may be obtained through the use of the licensed technology;

- Those that require payment of royalties to the owners of patents for patents which are not used;

- Those that prohibit the licensee to export the licensed product unless justified for the protection of the legitimate interest of the licensor such as exports to countries where exclusive licenses to manufacture and/or distribute the licensed product(s) have already been granted;

- Those which restrict the use of the technology supplied after the expiration of the technology transfer arrangement, except in cases of early termination of the technology transfer arrangement due to reason(s) attributable to the licensee;

- Those which require payments for patents and other industrial property rights after their expiration, termination arrangement;

- Those which require that the technology recipient will not contest the validity of any of the patents of the technology supplier;

- Those which restrict the research and development activities of the licensee designed to absorb and adapt the transferred technology to local conditions or to initiate research and development programs in connection with new products, processes or equipment;

- Those which prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor;

- Those which exempt the licensor for liability for non-fulfillment of his responsibilities under the technology transfer arrangement and/or liability arising from third party suits brought about by the use of the licensed product or the licensed technology; and

- Other clauses with equivalent effects.

The following are mandatory provisions that must be included in licensing agreements, pursuant to Section 88 of the IP Code:

- The laws of the Philippines will govern the interpretation of the same and in the event of litigation, the venue will be the proper court in the place where the licensee has its principal office;

- Continued access to improvement in techniques and processes related to the technology will be made available during the period of the technology transfer arrangement;

- In the event the technology transfer arrangement will provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) or the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) will apply and the venue of arbitration will be the Philippines or any neutral country; and

- The Philippine taxes on all payments relating to the technology transfer arrangement will be borne by the licensor.

E. Direct Marketing

Direct marketing or the multi-level marketing approach is an increasingly popular mode of selling products in the Philippines. U.S. firms such as Tupperware, Avon, SaraLee, High Desert, Forever Living, Encyclopedia Britannica, Herbalife, Amway and Sunrider, have established distributorship networks in the country. Recent entries are Golden Neo-Life, Sunrider Phils., Barclay-Elle Marge, Nu Skin, Neways, and Futurenet. The Consumer Code of the Philippines covers the legalities of direct marketing and restricts direct marketing, like franchising, to 100% Filipino-owned corporations. Foreign firms can engage in wholesale activities, however, and then sell to Philippine distributors. The Direct Sellers Association of the Philippines has 27 members. Applications from ten companies are under review.

F. Joint Ventures/Licensing

A common method for enterprises embarking on business operations in the Philippines is through joint ventures with local enterprises. Philippine laws on joint venture corporations limit the foreign entity's equity participation to 40%. The new Estrada Administration is proposing to liberalize this ceiling.

Effective January 1, 1998, the Philippine Government no longer requires that all licensing/technology transfer arrangements be submitted for registration and approval by the Department of Trade and Industry. However, all licensing/technology transfer arrangements must comply with provisions outlined in Sections 87 and 88 of the Intellectual Property Code (See Section D, above), including the non-use of certain prohibited clauses and the use of certain mandatory clauses in such arrangements. Non-conformance with any of these provisions automatically renders the arrangement unenforceable, unless the arrangement has been registered with and approved by the Intellectual Property Office (IPO).

"Technology transfer arrangements" refer, in the Philippine context, to contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights, including licensing of computer software except computer software developed for the mass markets. Included in the foregoing arrangements are local distributorships/export marketing agreements that involve the licensing of foreign trademarks and retainership of foreign firms or individual technicians who render management and technical consultancy services as part of the technology transfer or licensing agreement. (See also under Marketing U.S. Products and Services/ Franchising/ Prohibitive and Mandatory Provisions.)

G. Steps to Establishing An Office

A business enterprise must comply with the following requirements before it can start operations: (Refer to PEZA information in Chapter VII)

1. Apply for registration of the business name with the Bureau of Domestic Trade;

2. Register with the Securities and Exchange Commission if a partnership or a corporation;

3. Apply for a Barangay (i.e., precinct or ward) permit and Mayor's permit to operate in a chosen locality of business; secure municipal license (Export Processing Zone Authority enterprises excluded);

4. Register with the Bureau of Internal Revenue to obtain Tax Account No., Value-Added-Tax Registration No., and individual residence certificates for owners/incorporators;

5. Register employees with the Social Security System, Medicare, and Department of Labor and Employment. The essential forms of business organization in the Philippines are sole proprietorships, partnerships, and corporations. Other less common business forms include joint stock companies, joint accounts, business trusts, and cooperatives. A foreign entity, depending upon the nature of its intended activity in the Philippines, may establish and register any of the following: a branch, a subsidiary, a licensing and franchising agreement, a joint-venture agreement, and a regional headquarters.

H. Selling Factors/Techniques

There are several invaluable sales tools that U.S. suppliers should employ in order to maintain market leadership. Number one is exercising due diligence to select local distributors, agents, or representatives, since they are crucial market links. (NOTE: The Commercial Service assists U.S. exporters locate representatives overseas.) After selection, U.S. suppliers must provide full support to their local representatives. U.S. suppliers should visit the Philippines at least once each year to understand market trends and developments; to show support for their local representatives; and to visit customers. Local representatives should make regular customer calls to identify sales targets and opportunities. Training programs for customers and distributors, advertising and product promotion support, and participating in trade fairs, exhibitions and product seminars are also important for U.S. firms to maintain leadership in this highly competitive market.

I. Advertising and Trade Promotion

The Philippines is a brand-conscious market. Advertising plays a significant part in promoting the sale of most goods, particularly nondurable consumer goods. Most of the 178 advertising agencies have patterned their organizations after American advertising agencies. Advertising expenditures in 1997 exceeded $700 million, a huge jump from the roughly $500 million spent in 1996. Television took a 63% share, with print (19%) and radio (17%) trailing behind.

There are 530 radio stations, 39 daily newspapers, and 53 consumer magazines in the Philippines. There are various television stations: terrestrial networks/land channels (7); UHF (5); cable operators (540); and cable channels (70). Seventy-one percent of Philippine households have televisions. There are 44 national daily newspapers, all published in Manila, that provide domestic and international news, as well as an expanding standard medium for advertising. The widest-circulated paper is the Manila Bulletin. Other widely read newspapers are the Philippine Daily Inquirer, Philippine Star, Business World, Manila Times and Manila Standard. The widest circulated tabloids are Abante, People's Journal, People's Tonite, Tempo and Balita. Trade journals include Mining & Engineering Journal, The Energy Manager, Computer Times, Computer World, Garments and Textiles Association Journal, Construction Industry Association of the Philippines Newsletter, Metalworking Newsletter, Philippine Business, Link Magazine(information technology journal), Construction Management, Philippine Electronics and Telecommunications Federation (PETEF) News, Renergy, The Makati Business, The UAP (United Architects of the Philippines) Post, The Electrical Engineer, The Philippine Printer, and others.

J. Pricing Product

Price - and brand - are primary considerations in the purchase decision of most Philippine buyers. In some cases, however, the quality of the product as well as the after sales service/support (and availability of spare parts) supersede price and brand as primary criteria. Product markup ranges from 10% to 30%. Agents' commissions also range from 5% to 15%. However, for major projects, the commission structure is on a graduated scale up to a maximum of three percent for high value projects. End-users prefer American-made products because U.S. products and brands enjoy a reputation for high quality and durability. While the reliability of U.S. products works to the advantage of U.S. suppliers, they should nevertheless be aware of cheaper prices of third-country competitors. U.S. manufacturers and suppliers should be flexible in their prices and, where appropriate, should be prepared to provide end-users in different income brackets with alternative products.

K. After-Sales Service/Customer Support

Next to price, after-sales service and support are extremely important factors to marketing success in the Philippines. It is imperative for U.S. vendors to provide this support during and after the warranty period in order to satisfy their customers. The proximity of Taiwan, Japan and other Asian nations presents a strong challenge to U.S. competitiveness.

L. Selling to the Government

The Philippine Government and state-owned corporations are large direct importers (usually through competitive bidding) of many essential products, including road building and maintenance equipment, cement, machinery and equipment for various government projects, and military and defense equipment.

Government agencies pattern their regulations and procedures after those of the U.S. General Services Administration. The major government purchasers are the National Power Corporation, National Electrification Administration, National Housing Authority, National Irrigation Administration, Local Water Utilities Administration, Department of Transportation & Communication, Department of Public Works & Highways, and the Department of National Defense (DND). DND purchases usually require an offset commitment from the foreign supplier.

Philippine Government procurement regulations permit a foreign company to bid on government procurement only if it maintains a registered branch office or a registered resident agent in the Philippines. The first step in obtaining Government business is to be placed on the Bidder's Mailing List of the agency with which the applicant is interested in doing business. This is done by sworn application accompanied by certified copies of the company's application for the Certificate of Registration issued by the Philippine Bureau of Commerce, articles of incorporation, a receipted franchise tax bill, an up-to-date financial statement, and other attachments, as required. Application forms of the various procurement agencies are substantially the same in most respects.

All procurement of the Philippine military agencies are undertaken directly from manufacturers, except in the following cases:

1. When the manufacturer's marketing policy does not allow direct sales to its customer, the Philippine Government may procure from the sole or exclusive distributor of the firm's products.

2. Foreign procurement may be undertaken through a duly licensed local representative of the foreign manufacturing firm. However, procurement from agents, brokers, import-export firms or any intermediary that has been engaged for the express purpose of making any particular sales will not be authorized.

3. Government-to-government transactions require registration and accreditation of manufacturers and suppliers. A list of accredited suppliers is published annually and updated quarterly.

In addition, foreign contractors are allowed to participate in the construction of only internationally bid and foreign-financed/assisted projects in the Philippines. For this purpose, foreign contractors must apply to the Philippine Contractors Accreditation Board (PCAB) for a special license that is issued on a project-by-project basis.

VII. Protecting Your Product from IPR Infringement

In order to protect their products from intellectual property rights (IPR) infringement, U.S. manufacturers and suppliers should register their patents, trademarks, and brand names with the Intellectual Property Office (IPO), located at the 5th Floor, Department of Trade and Industry Building, Sen. Gil J. Puyat Avenue, Makati City, fax: (632) 890-4936, email: ipo@dti.gov.ph. A list of Philippine lawyers and law firms specializing in intellectual property law is available from the U.S. Embassy

Commerce Service office (manila.office.box@mail.doc.gov).

Under the Intellectual Property Code of the Philippines, the IPO has jurisdiction to resolve certain disputes concerning alleged infringement and licensing. However, this right to pursue cases against IPR violators through the IPO's administrative complaint mechanisms, while nominally in force, is currently unavailable to rights owners due to organizational delays at the IPO. In addition to the IPO, agencies with IPR enforcement responsibilities include the Department of Justice, National Bureau of Investigation, Videogram Regulatory Board (for piracy involving cinematographic works), the Bureau of Customs, and the Economic Intelligence and Investigation Bureau. The Presidential Interagency Committee on Intellectual Property Rights (PIAC-IPR) is composed of representatives from these and other agencies, and is tasked with coordinating enforcement efforts. The private sector can file requests for IPR enforcement actions with the PIAC-IPR. (See Chapter VII: Protection of Property Rights - for detailed information on IPR.)

N. Need for a Local Attorney

It is usually advisable to have contracts and agreements executed in the Philippines so that the laws of the Republic of the Philippines will govern the interpretation of these documents, and in the event of litigation the venue will likewise be the Philippines. However, litigation in the Philippines is frequently subject to lengthy delays, so it may be advisable to consider expressly providing for arbitration of contractual disputes. Legal documents notarized by Philippine lawyers can be authenticated by the U.S. Embassy American Services Branch.

The use of a local attorney and accountant is highly recommended for U.S. firms who wish to establish an office in the Philippines. These professions can also facilitate access to the various government offices involved. For firms maintaining operations in the Philippines, it is advisable to retain a local attorney and accountant. Leading law and accounting firms, some of which are members of the American Chamber of Commerce in the Philippines, also provide good business and commercial advice. A list of lawyers and accountants is available from the U.S. Embassy.

O. Performing Due Diligence/Checking Bona Fides of Banks/Agents/Customers

U.S. companies may contact the following local credit bureaus:

Asian Risk Management
Unit 1804 Echelon Tower
2100 A. Mabini St.
Malate, Manila 1004
Phone : (632) 525-2628
Fax : (632) 525-6468
E-mail : rheafner@ibahn.net
Contact: Mr. Robert L. Heafner, President
Remarks: Provides background reports tailored to clients' needs; completed in 7-10 days, covers detailed background information on the firm or individual including firm's management, business activities, creditworthiness, trading experience, market coverage, stature and business connections in the country, criminal record check and court cases filed.
Cost : $375 - $1,500

Credit Information Bureau, Inc.
2nd Floor, PNB Financial Center
Roxas Boulevard, Manila
Phone : (632) 526-6810 to 15; 526-3604
Fax : (632) 526-3603; 526-3566
E-mail : cibi-info@cibi.com.ph
jyladao@cibi.com.ph
Contact: Mr. Jaime C. Ladao, President
Mr. Amy Ocampo, Vice President
Remarks: Serves as the correspondent to and local representative of Dun and Bradstreet International. Provides four types of background reports. Completion is normally in 8-10 working days; 5-7 working days for "rush/urgent" orders and 3-5 working days for "flash" orders.

Corporate Business: A comprehensive profile of a company covering its management, history, operations, credit track record, bank relationships, financial condition, legal structure, special events and comments on its creditworthiness.

Individual Business Report: Provides information on a person's identity, background and reputation, business affiliations, assets, financial standing and negative records.

Key Report: An in-depth, tailor-made report which addresses specific requirements of the client.

Financial Analysis Report: Evaluates a company's financial status, including position, profitability and liquidity.

Cost : The price of reports normally completed in 8-10 working days costs $150; the 5-7 working days "rush/urgent" order costs $200; and, the 3-5 working days "flash" order costs $300. Mode for delivering the report is normally by fax or e-mail (using Word 6 for Windows format). If the client has no e-mail, the report will be transmitted either by fax or courier. The prices listed for four types of reports are for searches on firms and individuals located within Metropolitan Manila; for searches outside this area, the prices will vary.

Leverage International (Consultants) Incorporated
CPO Box 3395 Makati
Ste. 84 Legaspi Suites
178 Salcedo St., Legaspi Village
Makati City
Phone : (632) 810-1389; 818-6828; 813-2473
Fax : (632) 810-1594; 813-2473
E-Mail : lvrge@netasia.net
Website: http://www.leverage-international.com
Contact: Mrs. Cecilia A. Sanchez
Chair & Chief Executive Officer

Remarks: Provides four different types of background reports: First Type: Regular; completed in 7-10 days, covers detailed background information on the firm such as firm's management, business activities, credit worthiness, trading experience, market coverage, stature and business connections in the country. Second Type: Report on an individual person; 10-15 days; and, covers name, citizenship, office address, phone number, character references (checking). Third Type: Report on a single competing company; 15-20 days; covers location, officers/directors, operation, industry market share, distributors' list, source and type of technology used, and pricing structure.

Fourth Type: Report on one or more companies; 15-20 days; covers location, plant capacity, management/ ownership, organization and production set up, pricing structure, trade and trade practices, distribution

network, sales, and facilities.
Cost : First type, $325; second type, $500; third type, $770; fourth type, $1,920 for a 1-3 company-coverage, and $385 for each additional company.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

A. Best Prospects for Non-Agricultural Goods and Services

Sector Rank: 1
Sector Name: Telecommunications Equipment
ITA Industry Code: TEL

The Philippine telecommunications industry continues to perform well despite the economic crisis. Almost 90 percent of the telecommunications related projects are private-sector driven and mandated under the Philippine government deregulation policies. There are over 70 private and government-owned telecom companies operating today. As of 1998, there were only about 6.09 million telephone lines serving a population of 73.1 million people, resulting in an average nationwide telephone density rate of 9.38 telephone lines per 100 people. Industry sources predict that Philippine teledensity will reach 12 lines per 100 people by the end of 2000. The National Telecommunications Commission, an attached agency of the Department of Transportation and Communications, is the government's regulatory body of communication services.

The recent acquisition of PLDT, the largest Philippine telephone service provider, by the Metro Pacific Group is accelerating pressures for restructuring and consolidation in the industry, which in turn are creating good investment prospects for major US telecommunications firms. Local operating companies are seeking additional foreign partners and a fresh infusion of capital, technology and management expertise. There are talks between and among the major telecom operators for possible consolidation in order to stay competitive.

The 1998 market for telecom equipment and services totals about $2.3 billion. It is estimated to reach almost $3 billion by the end of 1999. The U.S. share of the market in 1998 was 74%.

Major opportunities for U.S. firms are equipment and services for: local exchange, cable and satellite TV, broadcast, digital and high definition television, and internet. The recent completion and approval of the international satellite implementing guidelines also offers opportunities for U.S. firms involved in mobile and fixed satellite systems, Global Mobile Personal Communications Satellite (GMPCS) technology, and direct-to-home (DTH) television services. Interested U.S. firms should start working with existing Philippine telecom providers. To date, the government has authorized Globe Telecom to use Iridium's GMPCS technology.

The National Telecommunications Commission has allowed duly recognized VAS providers to provide internet fax and internet telephony (voice over IP). Internet service providers are currently not subject to direct regulation by the NTC.

USD Millions

	1997	1998	1999
A. Total Market Size	1,389	2,309	3,000
B. Total Local Production	1,000	2,221	2,900
C. Total Exports	874	2,799	3,900
D. Total Imports	1,263	2,887	4,000
E. Total Imports from U.S.	335	2,124	2,700

*Only 1997 and 1998 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 2
Sector Name: Computers and Peripherals
ITA Industry Code: CPT

The Philippine market for information technology (IT) products continues to offer substantial opportunities for both U.S. computer and software firms. Investments in the overall IT industry reached almost USD2 billion in 1998. The Philippine market is about half the size of the Singapore market and it is on the threshold of becoming strategically significant for many US firms. It ranks at about the 10th largest market in East Asia.

Industry sources predict about 20 percent annual growth rate for the industry in the next three years. The market in 1999 is estimated at almost US$3.0 billion. The greatest growth is in PC and peripheral sales to the financial sector and to medium and large firms. Dataquest estimates the PC market in 1998 was 165,000 units with 1999 growth estimated at 189,000 (a 15% increase).

This projected growth will also come from the IT related projects of both the private and government sectors, development of E-commerce and EDI applications, expansion of internet services, entry of smart card technology, the increasing demand for network computing, IT investments in the banking and financial sector, and the convergence of computer technologies and telecommunications and broadcast services. In 1999, however, solutions to the Y2K problem represent the greatest bulk of the market.

Government IT projects such as the Land Registration Authority Land Titling Computerization Project, Department of Foreign Affairs Machine Readable Passport and Visa, and the Philippine Ports Authority Computerization project also offer potential for US system integrators, hardware and software suppliers, and project developers/operators.

Despite the strong presence of European and Japanese firms, the U.S. still holds more than 50 percent of the total market share. Several US firms recently located IT-related centers in the Philippines. In 1998, Fluor-Daniel expanded its engineering workforce from 400 to 800; AOL established a call center at the former Clark air base; software houses CBSI of Michigan and Great Plains of Washington D.C. established software development centers; and Sealand centralized all East Asia back office operations in Manila.

USD Millions

	1997	1998	1999
A. Total Market Size	1,359	2,000	2,984
B. Total Local Production	neg	neg	neg
C. Total Exports	neg	neg	neg
D. Total Imports	1,359	2,000	2,984
E. Total Imports from U.S.	405	1,200	1,790

*Only 1997 and 1998 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 3
Sector Name: Electrical Power
ITA Industry Code: ELP

The market for electric power equipment is bright at present, despite procurement cuts of major purchases of equipment since the onset of the financial crisis. Growth in imports was largely due to a number of power projects under construction namely, the 345 MW San Roque hydroelectric power plant, the 140 MW Casecnan multipurpose project, the 70 MW Bakun hydroelectric project, the 600 MW Sta. Rita project, and the transmission line projects of National Power Corporation (NPC, also known as “Napocor”).

Total imports of electric power equipment in 1998 increased by 51% from $555 million in 1997 to $840 million in 1998. Japanese suppliers had the biggest import market share with 30% ($258 million), followed by the US with 15% ($126 million), and Hongkong with 7% ($61 million).

US export prospects over the next few years should improve as the economy recovers, large buyers increase spending, and as new projects are launched. Major opportunities in the medium to long term include:

- US investors are seeking buy-ins to existing foreign and locally owned power plants. A number of Philippine Independent Power Producers (IPPs) are seeking foreign equity. An example of a recent buy-in was Ogden's purchase of the 69 MW Magellan Cogeneration plant.

- The privatization of NPC will eventually present major opportunities to invest in seven GENCOs.

- NPC's Small Island Grid Program creates opportunities for small power projects in the range of 5 MW.

- NPC is rethinking plans to close its Sucat generating station, located in southern Metro Manila. This will require an alternative power source to meet environmental standards, and will present power equipment retrofitting and environmental equipment opportunities.

- Special Incentives for renewable energy projects are embodied in a proposed bill covering new and renewable energy sources.

USD Millions

	1997	1998	1999
A. Total Market Size	777	767	847
B. Total Local Production	335	352	369
C. Total Exports	113	425	446
D. Total Imports	555	840	924

E. Imports from the U.S.	82	126	145

*Only 1997 and 1998 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 4
Sector Name: Food Processing and Packaging
ITA Industry Code: FPP

1997 was a most challenging year for the food processing and packaging equipment industry, and it is expected that the difficult economic environment will continue through 1999. However, the harsh realities of the present do not cancel out the strengths and future potential of the total industry. The four largest food and beverage firms, San Miguel Corporation, Republic Flour Mills, Cosmos Bottling Co., and Selecta Ice Cream, performed relatively well in specific sectors of the food and beverage industry despite the lingering adverse impact of the currency crisis and weakened domestic economy. Despite lower profits, sales volumes of these companies performed strongly.

U.S. suppliers are the dominant source of food processing equipment with over 21% of the import market in 1998. Next to Italy, they were the second largest source of packaging equipment with a 15% market share. However, the U.S. share of the combined imports of both food processing and packaging equipment in the same year was 19%. Italy was the second largest share with a 14% market share.

Industry subsectors offering the best sales opportunities include refrigerating or freezing display counters and showcases; machinery for making hot drinks or for cooking or heating food, not normally used in the household; dishwashing machines; laundry-type washing machines exceeding 10 kgs.; dry-cleaning machines; and automatic vending machines; dryers for food and beverage; distilling or rectifying plants; industrial microwave ovens; machinery for milling or working cereals and vegetables; fruit and vegetable processing; and bakery machinery. In the packaging field, machinery for filling, closing, sealing, labeling, packing and wrapping machinery have excellent potential.

USD Millions

	1997	1998	1999
A. Total Market Size	320	146	133
B. Total Local Production	n.a	n.a	n.a.

C. Total Exports	9	10	11
D. Total Imports	329	160	144
E. Total Imports from U.S.	77	30	27

n.a. - not available
*Only 1997 and 1998 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 5
Sector Name: Building Materials
ITA Industry Code: BLD

Imports of building materials dropped from $381 million in 1997 to $344 million in 1998, or 10%. Imports may grow 5-10% starting in 1999 since the construction and real estate markets are starting to pick up. In the first quarter of 1999 the construction sector declined by 4% and ownership of dwellings and real estate by 0.4% compared to a 13% and 23% decline, respectively, in the same period last year.

The government is currently pump priming the economy. It is undertaking housing, school building, public market and municipal building projects as well as road, bridge and other infrastructure projects. Very few new private projects are reported, but some housing and subdivision developers and contractors are trying to complete existing projects at a faster pace.

The government and developers are trying to solve the financing problems of the housing sector in order to respond to the huge 3.4 million housing need for the period 1999-2004. The Philippine government plans to undertake several low-cost housing projects. Demand for middle-income housing is currently soft, but lower interest rates will drive increased demand. High-end, high-rise residential and office buildings will take more time to recover.

The U.S., which accounted for 23 percent of the import market, was the Philippines' top import source of building materials in 1998. Japan and Taiwan accounted for 12% and 8% of the import market, respectively.

Best prospects for exports in the next three years include iron, steel and aluminum structures; glazers' putty; ceramic sanitary fixtures; mastics and wall or ceiling coverings. The Philippine market also needs low-cost housing technologies.

USD Millions

	1997	1998	1999
VIII. A. Total Market Size	1,362	1,113	1,129
IX. B. Total Local Production	1,158	900	900
C. Total Exports	177	131	132
D. Total Imports	381	344	362
E. Imports from the U.S.	85	80	84

* Only 1997 and 1998 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 6
Sector Name: Hotel and Restaurant Equipment
ITA Industry Code: HTL

The Asia economic crisis did not spare the Philippine hotel and restaurant equipment market. Estimated consumption in 1998 was US$73.3 million, an 18 percent decrease over the US$83.1 million in the previous year. In 1999, this market will further decline by at least 10 percent as the industry suffers from decreasing tourist arrivals, deferment of several major hotel projects, and cost-cutting moves by hotels. However, the market is expected to rebound in the 2000-2001 period as the economy turns around and the peso continues to stabilize versus the U.S. dollar.

The expansion of the food franchising sector and the fast food sector will contribute largely to this anticipated rebound of the market. The Philippine market is very young. The 0-29 (youth) group comprises 65 percent of the Philippines' 70 million population. The fast food industry is a lucrative business as Filipinos still love to enjoy the comforts of dining out. In addition, female consumers have become relatively more sophisticated today than a decade ago. The increase in labor force participation of women has stimulated the need for and interest in food expenditures outside the home. Around 46 percent of the 177 foreign franchises in the Philippines are in the food business.

Imports supply more than 90 percent of the Philippine market. 1998 imports were estimated at US$82.3 million, registering an 16 percent drop from 1997 imports of US$97.34 million. The U.S. remains the largest source of imported equipment with a 45 percent import market share in 1998. Major third-country suppliers include the European countries, Japan, Korea, and Singapore.

Domestic production of equipment is limited to basic food service and stainless steel kitchen equipment and does not pose a threat to imports.

Major U.S. suppliers include Hobart, Bunn-O-Matic, Scotsman, Taylor Freeze, Kitchen-Aide, Carter-Hoffman, Alto-Sham, Bally, Kolpak, Cherry-Burrell and Libbey's. Third-country players are Oneida, Kai, Graw Refrigeration, Tagliaoni, Cofimell, Astoria, Solingen, Elsafe, Arevalo and others.

Industry subsectors offering the best sales opportunities include refrigerating or freezing display counters and showcases; machinery for making hot drinks or for cooking or heating food, not normally used in the household; dishwashing machines; laundry-type washing machines exceeding 10 kgs.; dry-cleaning machines; and automatic vending machines.

USD Millions

	1997	1998	1999
A. Total Market Size	89	73	64
B. Total Local Production	5	6	7
C. Total Exports	14	15	16
D. Total Imports	97	82	74
E. Total Imports from U.S.	42	36	33

*Only 1997 and 1998 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 7
Sector Name: Construction Equipment
ITA Industry Code: CON

The Philippines is almost 100% dependent on imported construction equipment. Despite the Asian financial crisis, construction equipment imports grew 69% from $356 million in 1997 to $603 million in 1998. This import growth was not due to a broad-based requirement for construction equipment. It stemmed from a few projects, notably the $789 million San Roque Dam Project.

Until the first quarter of 1999 the construction sector continued its downswing. However, it declined at a slower rate in the first quarter of 1999 at 4% compared to 13% in the same period last year.

Although the Philippine government is pump priming the economy, it may not be able to sustain the $603 million level in 1999.

In the next three years, demand for construction equipment will come from infrastructure-related projects such as irrigation systems, road networks, ports, water facilities and power stations. Contractors of foreign-assisted and Build-Operate-Transfer projects will be the major buyers of construction equipment. Aside from the San Roque Dam Project, other major BOT projects that are under construction or will be undertaken are the $1.3 billion Sual Coal-Fired Thermal Power Plant, the $500 million Ilijan Natural Gas Combined Cycle Power Plant, the $655 million Light Rail Transit Line and the $440 million Ninoy Aquino International Airport Passenger Terminal.

The U.S. ranked second to Japan as the Philippines' import source of construction equipment. The U.S. share was 28% compared to Japan's 30%.

Price and availability of after-sales service are the major purchase considerations. Demand for used/reconditioned equipment accounts for about 60% of the total market.

Best prospects for U.S. exports are side booms, bulldozers, tamping machines and road rollers, shovel loaders and dumpers for off-highway use and machinery parts.

USD Millions

	1997	1998	1999
X. A. Total Market Size	334	511	377
XI. B. Total Local Production	less than one million		
C. Total Exports	22	92	50
D. Total Imports	356	603	427
E. Imports from the U.S.	39	169	50

*Only 1997 and 1998 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 8
Sector Name: Water Resources Equipment/Services
ITA Industry Code: WRE

The market for water supply and wastewater treatment equipment continues to offer opportunities for U.S. suppliers and service firms. Although 1998 reflected a 20 percent decline in imports, the market should recover because of the many water and wastewater infrastructure projects scheduled for implementation in 1999. Multilateral agencies such as the World Bank (WB) and Asian Development Bank (ADB) have several loans lined up for water supply and wastewater treatment related projects. WB is funding the following projects: (1) USD 76 million Metro Manila Second Sewerage Project of Maynilad Water Services Inc. (MWSI) 1998-2000; (2) USD 57 million Water Districts Development Project I of Local Water Utilities Administration (LWUA) and Land Bank and the Local Government Units (LGU) of Davao, Cagayan de Oro, Calamba and Cotabato cities in 1999, (3) USD60 million Subic Freeport Project Phase II of Subic Bay Metropolitan Authority (SBMA) 1998-2000, and (4) and the Local Government Unit Urban Water and Sanitation project worth USD30 million to be implemented by the Department of Interior and Local Government (DILG) and LGUs in 1999-2001. In addition, the ADB is funding a Water and Sanitation Sector Study which will identify priority projects for local government units estimated to be worth USD57 million with a 1999-2004 timeline. Other projects with ADB funding are the Pasig River Rehabilitation Project and the Small Towns Water Supply and Sanitation Sector II. These projects will open equipment procurement and consulting services opportunities for U.S. firms.

Projects such as the Bulacan Water Project II, Cavite Water Supply, Batangas City Water Supply, and Laiban Dam Project are potential opportunities for U.S. firms under the Build Operate Transfer (BOT) scheme. Private developers of Fort Bonifacio Global City and Smokey Mountain-Harbor City are seeking joint venture partners for their wastewater treatment facilities.

These projects are good indicators that the market will definitely start to recover and gain momentum in 1999. Based on the local preference for imported equipment, U.S. imports should grow 10-15 percent in 1999-2000. The following U.S. developers and engineering firms are major players in this sector: Fluor Daniel, Ogden Yorkshire, Envitech, Bechtel, Brown & Root, Parsons, Metcalf & Eddy, Dames & Moore and Woodward Clyde.

The best market prospects: Drilling equipment & accessories, slurry pumps, water softeners, economizers and steam generators, desalination equipment, parts of filtering and purifying machinery and apparatus for liquids such as ozonators, reverse osmosis facilities and equipment, water filtration plants, filter cartridges, water purifications equipment, water aerators and other filters, parts of steam and other vapor generating boilers such as vapor sprays, atomizers and boiler systems, and pipes and fittings.

USD Millions

	1997	1998	1999
A. Total Market Size	119	103	115
B. Total Local Production	26	28	30
C. Total Exports	22	18	20
D. Total Imports	115	93	105
E. Total Imports from U.S.	27	23	25

*Only 1997 and 1998 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 9
Sector Name: Medical Equipment
ITA Industry Code: MED

The medical industry has recovered from the impact of the July 1997 regional economic crisis. Demand, which dropped by 42% immediately after the crisis, picked up by 7% towards the end of the year. Industry insiders are optimistic about a 10% growth this year due to increasing demand for medical equipment and other medical products, offering excellent opportunities for U.S. suppliers.

Total market size in 1998 was $51 million. Continuous requirements for medical services, new technology, and equipment replacement should spur market growth. 1998 importation was $46 million. The U.S. had a lead 35% market share. Japan followed with a 13% share.

The market shares reflect Philippine preference for U.S. products, as influenced by U.S.-trained Philippine doctors and consumers' habit of buying American goods. U.S. products, however, face increasing competition from foreign suppliers.

The U.S. is strong in the following subsectors: ozone, oxygen therapy, respiration apparatus (77%); ophthalmic instruments and appliances (58%); high-tension generators (50%); electro-diagnostic apparatus (36%); and optical instruments and appliances (35%).

Major U.S. medical companies in the Philippines are Johnson and Johnson Medical, Picker, Lifecare, Parker, Bird, General Electric, Becton Dickinson, DePuy, etc. Non-U.S. competitors are Siemens, Mannheim, Philips, Hitachi, Toshiba, and Olympus.

Major hospital projects include the Asian Hospital Construction phase), the Metro Bank Foundation/Manila Doctors' Hospital (planning stage), and the Fort Bonifacio Medical Center (which was transferred to the private sector through the sale of government properties - planning stage).

USD Millions

	1997	1998	1999
XII. A. Total Market Size	78	51	56
XIII. B. Total Local Production	31	20	22
C. Total Exports	23	15	17
D. Total Imports	70	46	51
E. Imports from the U.S.	23	16	18

* 1997 and 1998 trade statistics are official figures. 1999 statistics are unofficial estimates.

The U.S. Department of Commerce and the Foreign Commercial Service-Manila will host a Medical Device Trade Mission in May 2000 that will include stops to Taiwan and Singapore.

Sector Rank: 10
Sector Name: Pollution Control Equipment/Services
ITA Industry Code: POL

1998 was a very challenging year for the pollution control equipment/services market. Due to the Asian crisis, the environmental market shrank considerably, with the market for pollution control equipment and services down by 25-30%. Although American pollution control and monitoring equipment continue to dominate the local market, there was a tremendous decline in imports. With the economy improving, it is expected that the environmental market will register a 10-15% growth in 1999.

Philippine environmental engineering firms and equipment distributors remain are also hopeful that the market may improve if the new Department of Environment and Natural Resources (DENR) leadership establishes more stringent enforcement of environmental regulations. Laguna Lake Development Authority's (LLDA) implementation of a polluter pay system known as the "Environmental User's Fee" (beginning January 1997) has forced some companies to install wastewater treatment facilities. In May of this year (1999), LLDA also implemented a new regulation requiring all industrial estates to put up common waste treatment facilities. Most of the industries located in Metro Manila pollute openly and discharge directly into waterways (Manila Bay, Laguna de Bay, Pasig River and into the 21 tributary rivers of Laguna Lake). This “polluter pay” system is forcing industries to install wastewater treatment facilities. Based on the success of LLDA's implementation, DENR will implement the "polluter pay system" in the whole Metro Manila area and eventually in other cities and provinces all over the country.

The air pollution control and monitoring equipment import market is expected to pick up this year. The Clean Air Act has been passed into law and the Asian Development Bank is funding the USD 298 million Metro Manila Air Quality Improvement Project (MMAQIP). DENR is implementing this three-year Air Quality Action Plan to tackle Metro Manila's deteriorating air quality. This project offers opportunities for both stationary and mobile air pollution control equipment vendors. The United States Trade and Development Agency (USTDA) is funding an “Industrial Air Emissions Source Study" to quantify air emission burdens from industrial activities and identify specific mitigation techniques to improve air quality. The TDA study will also recommend techniques for monitoring and testing for 50 industrial firms in Phase I and an additional 50 firms in Phase II.

More than 50% of Philippine exports are from the electronics and semiconductor industry. This means that there is a big market for environmental goods and services in this sector. Other sectors like the food processing industry, chemical and textile manufacturers, cement industries, power plants, rubber products and non-metallic mineral products accounts for more than 50% of the environmental market.

The following U.S. firms are major players in the environmental services area: Woodward Clyde-URS Greiner, Dames and Moore, Metcalf and Eddy, Weston International, Louis Berger International, Hagler Bailley Services, Inc., Tetra Tech EM Inc., Malcolm Pirnie, and Ecology & Environment, Inc. Some U.S. equipment suppliers are Brunner Corporation, Yeoman Chicago Corporation, Cromaglass Corporation, Hach Company, Hydrocal Systems, Inc., Wastewater Treatment Systems, Inc., Air Instruments & Measurements Inc. and U.S. Filter.

The best market prospects for industrial wastewater are: water recycling systems, economizers, boiling and cooling towers and heat recovery steam generators, filtering and purifying machinery, apparatus for liquid waste and parts such as dialysis and electrodialysis apparatus, and filtration systems. For air pollution related problems, the best prospects are: flue gas desulfurization plants and denitrifying plants, electrostatic precipitators, air scrubbers, baghouses, and catalytic converters.

USD Millions

	1997	1998	1999
A. Total Market Size	112	84	95
B. Total Local Production	n.a	n.a	n.a
C. Total Exports	19	8	10
D. Total Imports	131	92	105
E. Total Imports from U.S.	37	23	26

*The above statistics are unofficial estimates.

B. Best Prospects for Agricultural Products

The Philippines continues to be a major market for U.S. agricultural products as it has been through most of the 1990's. Although the impacts from both the Asian financial crisis combined with the peso devaluation in June, 1997 have taken their toll on trade, the Philippines continues to show signs of a growth market for U.S. agricultural exports. Total imports of agricultural products from all sources by the Philippines for 1998 was $2,714 million, only down 10 percent from 1997. Although, U.S. agricultural exports of $740 million on an annual basis were down 17 percent compared to 1997, early prospects for 1999 show a rebound with shipments for January through April registering 5 percent higher than the same period in 1998. It remains the largest market in ASEAN for U.S. agricultural products.

U.S. exports of semi-processed intermediate agricultural products were up 7.5 percent, led by exports of soybean meal ($241 million), the largest component in this product category. It is also important to note that the 37 percent decline in consumer oriented products for 1998 ($136 million) was from a 20-year record high of $215 million. Early indications for consumer oriented products exports are good with January through April 1999, showing a 47.8 percent increase in comparison to the same period in 1998. Softwood and treated lumber rose slightly in 1998 to $13.65 million while exports in 1999 are up 61 percent for January through April as compared to 1998, reflecting increasingly tight domestic supplies in the Philippines for the export-oriented furniture industry.

More than any of its ASEAN counterparts, economic success will further accelerate the growing Philippine urban middle-class looking for a greater diversity in their food. The country's rapid expansion in the retail and food service sectors is opening up the markets for food and beverage products and bringing them within easy reach of more and more Filipino consumers. Steady growth in the number of western-style supermarkets and shopping malls continues both in Metro Manila and in the larger regional cities. Most of these supermarkets are becoming increasingly sophisticated in their operations and carry product lines that are very similar to what one would find in a typical U.S. supermarket. Many stores are also developing large produce and meat sections, although room exists for improvement in the presentation and cold storage management of these sections. Convenience stores are also now a part of the urban landscape in major cities and wholesale stores are new on the scene. Despite supermarket gains, the traditional open-air markets still account for the lion's share of produce and meat sales.

Because of improving incomes and the increasing need for convenience, urban dwellers are dining out more often. Most of the major American fast food franchise establishments are already in the Philippines. Most fast food restaurants have very aggressive expansion plans as growth in this sector is propelled not so much by same store sales but rather by horizontal expansion. More upscale full-service Western-style restaurants and specialty outlets are also doing well. While subdued by the financial crisis, fine-dining is expected to substantially improve by the end of 1999. All of these trends continue to show further opportunities for American food service products.

Name of Sector: Wheat

Although wheat exports to the Philippines have fallen in 1998 to $223 million, it is still the largest single contributor to total U.S. exports in value terms. It is expected that U.S. market share will expand in the Philippines with increased use in processing flour and noodles and will also be driven higher over time with population growth at more than 2 percent per year. The main wheat classes purchased from the U.S. are Dark Northern

Spring and Western White. The main competitors are Canada and Australia.

	1997	1998	1999
		Thousand MT	
A. Total Market Size	2,422	2,423	2,623
B. Total Local Production	0	0	0
C. Total Exports	0	0	0
D. Total Imports	2,422	2,423	2,623
E. Total Import from U.S.	1,900	1,870	1,900

Name of Sector: Corn

The Philippines has continued to import significant amounts of corn in recent years. Although, the Philippines total imports have averaged 300,000 MT per annum, if duties were reduced, the potential is for as much as 1 million tons. However, the strong resistance from domestic corn producers has forced the Government to maintain out-of-quota corn tariffs as high as 80 percent (65 percent as of January 1999). The in-quota amount for 1999 is 163, 908 MT. With the difficulties associated with importing and maintaining domestic supplies of corn, livestock producers opt for feed wheat which carries a lower duty of 15 percent. However, importing 'food' wheat (3 percent duty) for feed purposes is technically illegal but the Government, wishing to avoid higher meat prices, has been lax in enforcement. The U.S. is expected to be the dominant supplier of corn for the foreseeable future with some competition from Argentina and China.

	1997	1998	1999
		Thousand MT	
A. Total Market Size	4,110	5,086	4,700
B. Total Local Production	3,500	4,800	4,200
C. Total Exports (Oct/Sep)	0	0	0
D. Total Imports (Oct/Sep)	360	175	150
E. Total Import from U.S.(Oct/Sep)	190	125	90

Name of Sector: Soybean Meal

Philippine soybean meal imports are expected to increase in future years as a result of increasing demand from the Philippine hog and poultry industries for feed ingredients. There is a strong preference for high-protein soybean meal. Previously, India has been the traditional low-protein competitor in this market, but in

1997 U.S. meal gained significant market share and has since dominated the market. Recently, South American meal has acquired a share of the market. Local production is currently very small. The start-up of a new crusher in 1999 is not expected to alter the long run for imports of U.S. soybean meal.

	1997	1998	1999
	Thousand MT		
A. Total Market Size	896	1,306	1,376
B. Total Local Production	60	215	320
C. Total Exports (Jan/Dec)	0	0	0
D. Total Imports (Jan/Dec)	836	1,048	1,050
E. Total Import from U.S.(Jan/Dec)	406	850	800

Name of Sector: Forestry Products

With diminished domestic forestry resources and increasing domestic demand, imports are expected to continue to grow, especially since the Philippines furniture industry does have an export market. For hard wood, the main import suppliers have been other tropical countries. As the Philippine wood user becomes more familiar with U.S. qualities and characteristics of woods, market share for the U.S. is expected to increase, especially among the export oriented furniture manufacturers. In 1998, U.S. exports of hardwood lumber fell to 1,778 MT while exports of softwood lumber remained steady at 13,365 MT. The Philippines exports of furniture in 1997 was valued at $321.9 million and increased to $323.46 million in 1998. For U.S. forestry exports, the biggest competitor for the Philippine market is Malaysia.

	1997	1998	1999
	Thousand Cubic Meters		
A. Total Market Size	1,456	1,400	1,600
B. Total Local Production	400	375	350
C. Total Exports	0	0	0
D. Total Imports	1,156	1,270	1,400
E. Total Import from U.S.	49	50	60

Name of Sector: Consumer Oriented Food and Beverages

Because of close cultural and language ties, the Philippines is proving to be one of the stronger markets for ready-to-consume food and beverages from the United States. Because of the Asian financial crisis, in 1998 U.S. exports in the consumer-ready category fell from $215 million to $136 million, however still remaining among the top 20 country markets. Important products in this category include $34 million worth of processed fruit and vegetables – most notably canned fruit and vegetables, and frozen french fries, $24 million worth of snack foods and $23 million in dairy products. Other areas which also show particular promise are beef, pork, poultry meat, and fresh fruit.

	1997	1998	1999
		Thousand MT	
A. Total Market Size	896	1,060	1,090
B. Total Local Production	60	22	40
C. Total Exports (Oct/Sep)	0	0	0
D. Total Imports (Oct/Sep)	836	1,048	1,050
E. Total Import from U.S.(Oct/Sep)	406	845	900

C. Significant Investment Opportunities

Franchising

Direct foreign investment in retailing is prohibited under Republic Act 1180. The Estrada Administration has stated its support for lifting this restriction, and legislation is pending in the Philippine Congress that would allow foreign investment in certain retail enterprises. However, foreign companies have operated successfully in the local market through franchising. In franchising, a foreign company (franchisor) can "operate" locally by appointing a Master Franchisee (local partner) who oversees the development and expansion of the franchise in the local market. The franchisor collects a fee for the use of its name and trademarks and also earns royalties on sales. The Intellectual Property Office is the government agency having primary jurisdiction over franchise license agreements. (Refer to Marketing U.S. Products and Services/ Franchising/ Prohibitive and Mandatory Provisions for more details.)

Franchising still offers very good opportunities for U.S. companies to expand in the Philippines. The industry grew by 25% in 1998, despite the economic slowdown, and continues to grow at a dynamic rate. There are more than 400 franchise companies in the Philippines, 60% of which are foreign. U.S. franchisors dominate the franchising market with a 70% share. The franchises are concentrated in Metro Manila and key cities.

There are excellent franchising opportunities in food and in services-based franchises. Requirements for computer and educational services will expand as small and medium size enterprises and company employees become more familiar with technological innovations and related business applications.

Some of the U.S. franchises in the market today are: (a) food - McDonald's, Kentucky Fried Chicken, Dunkin' Donuts, Mr. Donut, Magoo's, Greenwich, Angelino's, Domino's, Sbarro, California Pizza Kitchen, Numero Uno, Kenny Rogers, Auntie Ann's, Mary's Roasters, New Jersey Chicken, Shakey's, Pizza Hut, Dreyers, Blue Bunny, and Dairy Queen; (b) non-food - Roto Rooter, Comprehensive Business Services, Computer Assisted Learning, Little Gym, Postnet, Service Master, Computer Tots, Levi's, Wrangler, Calvin Klein, Revlon, Avon, Sara Lee, Anne Klein, Esprit, Guess, and GAP.

McDonald's has 209 stores nationwide, while Kentucky Fried Chicken operates about 100 outlets. Dunkin' Donuts now numbers 300 stores nationwide.

The Foreign Commercial Service-Manila will sponsor a Franchising Matchmaker trade mission to Manila on September 16 and 17, 1999. The group will also visit Bangkok, Singapore and Taipei in the same week.

Medical

The medical industry sector looks promising. Two groups are planning to build hospitals in Metro Manila. These are MetroBank Foundation's Manila Doctors Hospital, a full-service hospital to be located in the Manila Bay Area, and JG Summit Holdings in the EDSA Pioneer complex whose medical facility will specialize in heart and cancer diseases.

MetroBank Foundation, the philanthropic arm of Metropolitan Bank and Trust Company (the number one commercial bank in the Philippines today), is the majority owner of Manila Doctors Hospital. The foundation actively supports the hospital's operations and medical missions out of town. MetroBank Foundation plans to build a new full-service hospital in the Manila Bay Area and has already acquired a 2-hectare lot with an endowment received from MetroBank Chairman, Dr. George Ty. The new hospital is envisioned to be a leading center of excellence in health care, providing quality, patient-centered service. The facility will link with international medical organizations (hospitals and medical schools) to remain up to date with the latest medical breakthroughs.

JG Summit Holdings, the holding company of John Gokongwei (food giant Universal Robina Corporation, retail chain Robinson's Corporation, and JG Summit Realty) plans to construct a modern hospital in the 6-hectare EDSA Pioneer Complex, the present site of its Robinson's Hypermart. The JG Summit medical facility will specialize in heart and cancer diseases.

Philippine laws limit a foreign entity's equity participation in hospitals to 40%.

The Government of the United States acknowledges the contribution that outward foreign direct investment can make to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. Nearly sixty percent of total U.S. exports originate with American firms with investments abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, bilateral investment treaty negotiations and business facilitation programs, that support U.S. investors.

VI. TRADE REGULATIONS, CUSTOMS AND STANDARDS

A. Trade Barriers

Under the Philippine Government's comprehensive tariff reform program, set out in 1996 in Executive Orders (E.O.) 264 and 288, applied MFN tariff rates for all but sensitive agricultural commodities are being gradually reduced to target rates of 3% for raw materials and 10% for finished products by January 2003, and a uniform 5% tariff rate by January 2004. While the Philippines has indicated that it remains committed to these ultimate tariff levels, the Government in 1998 made extensive changes to the rate reduction schedule set out in E.O. 264 for the period 1998-2000.

In response to requests from import-sensitive industry sectors (including the petrochemicals, garment and apparel, and wood products, industries) the Philippines revised the rate reduction schedule for a number of product categories. E.O. 465 and E.O.

486, which became effective on January 21, 1998 and July 7, 1998, respectively, established new applied tariff rates for many items. Rates for some products were reduced more gradually than indicated in E.O. 264. Applied duty rates were increased for 870 tariff headings, including certain petrochemicals, ammunition, garments, textiles, and unfinished automotive vehicles imported in kit form, and reduced rates on 512 tariff headings, including some items of interest to U.S. exporters, such as agricultural products. For still other tariff lines, E.O. 465 and 486 retained 1997 duty rates in 1998, and postponed until 1999/2000 reductions in duties originally envisaged for 1998.

In September 1998, the new Administration of President Joseph Estrada agreed to consider requests by import-sensitive manufacturers for selected tariff increases, setting aside a policy of waiting at least 12 months following changes to rates before initiating any review of those new rates. The Philippine Tariff Commission held two sets of public hearings on private sector petitions urging the modification (generally to increase) duty rates. In January 1999, President Estrada signed E.O. 63 adjusting tariff rates on a range of products. The main changes of interest to U.S. companies include increases in the applied MFN tariff rate for yarns, threads, fabric, apparel, and kraft liner paper. Higher rates on these products were originally imposed in January 1998 by E.O. 465 for one year only; E.O. 63 extends these rates through 1999. Rates on these items are supposed to return to 1997 levels in the year 2000.

Imports of finished automotive vehicles (completely built-up units) are subject to a 40% tariff as an incentive to promote local assembly under the Philippines' Motor Vehicle Development Program. The duty rate on automotive vehicles is currently the highest duty rate applied to a non-agricultural product, and is not scheduled to be reduced (to 30%) until the year 2000. As part of the Government's decision in 1997 to slow the pace of accelerated tariff reduction, and in some cases raise tariffs, on certain items, E.O. 465 increased tariffs on completely-knocked-down (CKD) automotive vehicle imports from 7% in 1998 to 10% in 1999 through 2000.

The Philippines maintains high tariff rates on sensitive agricultural products, including grains, livestock and meat products, sugar, certain vegetables, and coffee. Examples include feed grains, particularly corn (at an in-quota rate of 35%, and an

80% out-of-quota rate which is to be reduced to 15% effective July 1, 1999), sorghum (20% in-quota, which is to be reduced to 15% effective July 1, 1999) and potatoes (in-quota rate of 45%, 80% out-of-quota rate which is to be reduced to 60% effective July 1, 1999). Fifteen tariff lines of agricultural commodities (at the 4-digit HS level) are currently subject to minimum access volume (MAV) tariff-rate quotas (TRQs). Products covered by these TRQs include live animals, fresh and chilled beef, chilled pork, poultry meat, goat meat, potatoes, coffee, corn, and sugar. Administrative Order (A.O.) 9 of 1996, as amended by A.O. 8 of 1997 and A.O. 1 of 1998, established the rules by which these TRQs are implemented and import licenses are allocated.

Section 109 of the Agricultural and Fisheries Modernization Act (Republic Act 8435) provides that all duty-certified enterprises engaged in agriculture and fisheries shall be exempted from the payment of tariff duties on all types of agriculture and fisheries inputs, equipment and machinery. Joint Administrative Order No. 1, which took effect January 1, 1999, eliminated tariffs on a list of 118 agriculture and fisheries inputs, equipment and machinery. The Government is expected to announce a list of additional products that qualified importers will be able to import duty-free.

B. Customs Regulations

To understand the complex Philippine Customs regulations/process importers and exporters need to first understand the methodology and players involved in determining customs valuation in the Philippines.

Customs valuation as a basis for determining dutiable value of imports is presently based on "export value" (generally based on the "Brussels definition of value"). Under Philippine law on customs valuation (R.A. 8181), export value is defined as the value at which the same or identical, like or similar product is freely offered for sale in the principal export markets of the exporting country, in the usual wholesale quantities and in the ordinary course of trade. If the export value cannot be ascertained through this process, the following may be used as a basis: cost at country of manufacturer/origin, third country cost or domestic wholesale selling price. The Philippines is obligated under the WTO Agreement on Customs Valuation, to fully implement the transaction value method of customs valuation no later than

January 1, 2000.

The Philippines has contracted the private firm Societe Generale de Surveillance S.A (SGS) to determine valuation on most shipments, under the Government’s “Selective Preshipment Inspection Advance Clearance System” (SPACS), although ultimate authority on valuation rests with the Bureau of Customs (BOC). The contract between the Philippine Government and SGS, originally set to terminate in March 1998, was extended through December 31, 1999. The Government has not stated whether it intends to retain preshipment inspection services after January 1, 2000.

For those imports not statutorily exempted from SPACS (see below), SPACS requires that importers register and clear proposed importations with SGS, prior to shipment from the country of exportation. Clearing proposed importations with SGS entails scheduling a Pre-Shipment Inspection (PSI), when applicable, and obtaining a “Clean Report of Findings” (CRF) prior to arrival of the shipment in the Philippines (see below for more details). Under SPACS, not all products are required to have an actual PSI.

PSI is limited only to shipments that meet one or more of the following criteria:
(1) not properly declared in accordance with the convention on proper description of the goods
(2) requiring laboratory analysis
(3) declared as not of prime quality
(4) waste materials
(5) ascertained by the Bureau of Customs (BOC) to be high risk (6) shipments volunteered for inspection to take advantage of quick release processed in the ports.

Import entries are filed with the Entry Encoding Center (EEC) established by BOC in every principal port. The paper declarations are digitized by the EEC into computer-readable messages which are then fed into the BOC computer for processing under the Automated Customs Operating System (ACOS). Through a selectivity scheme built into the ACOS, around 70% of all importations are given a Greenlane treatment, i.e., not subjected to customs examination.

These EEC centers are managed by the Philippine Chamber of Commerce and Industry (PCCI) by virtue of a memo of agreement with the BOC.

Importers which are already electronically linked with BOC can file their entry directly, without passing through the EEC, through the Direct Trader input (DTI) facility.

The taxes and duties are paid directly to the banks, which are also electronically linked with the BOC.

a. Goods Exempted Entirely from SPACS

Department of Finance Amended Joint Order 1-91, establishing SPACS, exempts the following types of goods from the provisions of SPACS. Such importations do not need to pass through the SGS pre-clearance process (i.e., importers do not need to register the imports with SGS or obtain an SGS "Clean Report of Findings" prior to importation):

-- Goods imported pursuant to Section 105 of the Tariff and Customs Code of the Philippines, but not including commercial imports under consignment basis. (Note: Section 105 is a list of conditionally free importations, i.e., commodities exempt from the payment of import duties upon compliance with certain regulations.)

-- Crude oil and petroleum products in bulk, but not including chemicals and their products, petroleum additives and lubricating oils;

-- Fresh, frozen or chilled foodstuff and fruits (i.e., all food products shipped in refrigerated containers);

-- Live animals;

-- Works of art;

-- Current newspapers and periodicals;

-- Parcel post;

-- Individually-owned motor vehicles qualifying under the provisions of E.O. 248, Vehicle Development program, specifically related to the importation of second-hand motor vehicles of returning residents or immigrants;

-- Goods, the FOB value of which as declared in Letter of Credit is less than $500 (but not including part shipments invoiced at less than $500 FOB), or goods where the value of the total invoice covering the shipment is less than $500, in the case of goods financed by other means than a Letter of Credit;

-- Shipments of explosives, ammunition, arms, equipment and other strategic materials certified by the Department of National Defense, excluding chemicals for the manufacture of explosives, firearms, and ammunitions;

-- Precious stones, artifacts, precious materials;

-- Importation where the consignee is either the Government of the Philippines or any of its corporations, agencies, and instrumentalities, but not including goods imported on behalf of these entities by private importers;

-- Importation of semiconductor and allied enterprises subject to qualification requirements of the Board of Investments;

-- Importation by export processing zone authorities duly registered as such with the Philippines Economic Zone Authority;

-- Importation of equipment, machinery, spare parts and other materials for oil, coal mining, and geothermal operations;

-- Importation by member firms of the automotive wiring harness industry;

-- Importation of pre-cut fabrics and accessories for processing into finished garment and textile products for export;

-- Importations by enterprises/firms registered with the Subic Bay Metropolitan Authority (SBMA) and Clark Special Economic Zone, except for shipments bound for duty-free shops and outlets;

-- All duty and tax exempt shipments including those entered under the Customs Bonded Warehouse program.

b. Clearing Imports with SGS

All shipments not specifically exempted from provisions of Amended Joint Order 1-91 require SGS registration. Under SPACS, SGS is supposed to review registration documentation to:

-- Check the compliance of the shipment to Bureau of Customs requirements based on SPACS;

-- Verify and report its opinion on the export value of the goods;

-- Verify and report its opinion on the Harmonized System Commodity Description and Coding System of the Tariff and Customs Code of the Philippines;

-- Make a risk assessment profile of the shipment by checking its particulars against the intelligence database.

Goods Subject to SPACS -- Preshipment Inspection

For those imports not statutorily exempted from SPACS, importers must register and clear proposed importations with SGS. The purpose of the registration and clearance process is to enable SGS to establish valuation for duty and tax purposes, and to determine whether the proposed importation requires physical preshipment inspection. (Note: Amended Joint Order 1-91 relaxed substantially the former requirement that most imports to the Philippines be subject to physical preshipment inspection in the country of export. Philippine Customs officials have stated they want to minimize the number of imports subject to mandatory physical preshipment inspection.) Paragraph 3 of Revised Joint Order 1-91 mandates that the following goods will remain subject to mandatory preshipment inspection:

1.) Cases where, in the documentation submitted to SGS, the description of goods provided by the importer does not conform to the provisions of Bureau of Customs Memorandum Order 46-94, which states that "the description of articles must be in sufficient detail to enable the article to be identified for tariff classification, valuation," including brand name, model name or number, style, etc.

2.) Goods that require laboratory or complex test procedures to establish identity, classification or proper valuation. Customs officials note that some of the tests are required because the Philippine tariff schedule includes certain 8-digit HS "ex-outs" for specific items. Annex A, List A of CMO 5-98 outlines goods included in this category:

-Permethrin (to determine purity of substance);
-Sugar (to distinguish whether raw or refined);
-Honey (to distinguish whether artificial or natural);
-Tapioca (to distinguish whether animal or food grade);
-Polyethylene/Ethylene Copolymer (to determine polymer content);
-PVC Homopolymer (to determine monomer content);
-Silicon Emulsion (to determine surface tension);
-Gases declared as butane or propane (to detect ozone depleting substances);
-Flat-rolled products of iron or non-alloy steel, clad, plated, or coated, except when plated or coated with tin (to determine carbon content);
-Bars and Rods (to determine carbon content);
-Angles, shapes and section of iron or non-alloy steel (to determine carbon content);
-Wires of iron or non-alloy steel (to determine carbon content);
-Hydrogenated Vegetable Fats in Solid Form (to determine whether wholly or partially hydrogenated).

3.) Shipments declared to be seconds or substandard. The presence of key words such as "waste," "seconds," "stocklots," "off-grade," "off-specs," "used," "surplus," etc. in invoices or other documentation submitted by importers to SGS will trigger mandatory preshipment inspection in the country of export.

4.) Waste materials to ascertain compliance with environmental standards maintained by the Department of Environment and Natural Resources.

5.) Shipments ascertained by Customs to be high risk. Annex A, List B of CMO 5-98 outlines "high risk shipments" subject to mandatory preshipment inspection:

-Pharmaceutical Products;
-7-wire PC strands;
-Textile materials;
-Ready-to-Wear Clothing;
-Truck/Auto replacement Parts (used);
-Toys

SGS also retains the authority to determine, based on its review of registration documents submitted by the importer, whether a proposed import falls into one of the above categories, and therefore will require physical preshipment inspection, based on Amended Joint Order 1-91 and CMO 5-98. Importers or exporters may voluntarily request that SGS perform physical preshipment inspection in the country of export on any proposed importation into the Philippines. Revised Joint Order 1-91 appears to imply that such shipments volunteered for inspection will "take advantage of quick release procedures in the ports."

The text of Revised Joint Order 1-91, CMO 4-98, CMO 46-94 and other relevant Customs regulations, together with SGS import registration forms and other information, are posted on the SGS Internet home page, at <www.mlo.sgsgroup.com>.

c. Procedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the PhilippinesProcedural Sequence for Exports to the Philippines

Following is a summary of the registration and clearance procedure that importers must follow under SPACS:

Step 1 – All imports, except those legally exempted from SPACS pursuant to Section 5 of Revised Joint Order 1-91 (see above), must be registered with SGS, and an SGS "Clean Report of Findings" (CRF) obtained prior to arrival of the goods. The procedure differs depending on whether importation is effected through a Letter of Credit (L/C) or other means, and whether the importation is subject to physical preshipment inspection requirements.

Step 1a -- For importations effected through a L/C:

Importer must register a planned importation with SGS, using the "Report of Proposed Importation" registration form, also called an "Inspection Advice Note (IAN) Application" form. The importer can either: a) indicate on the basis of self-assessment whether his proposed shipment is subject to physical preshipment inspection; or b) directly approach the SGS liaison office in Manila for an SGS registration document indicating whether the shipment is subject to preshipment inspection. The form must be submitted in duplicate to SGS; registrations can be submitted by fax, mail, in person, or by email (mlo.sgsgroup.com). The form notes "goods covered by this registration are subject to evaluation by SGS to determine preshipment inspection requirement as per the Amended Joint Order 1-91, March 1998."

The importer must inform the recipient of the L/C as to whether the goods are subject to physical preshipment inspection. The L/C should be opened not later than ten days prior to the scheduled date of shipment, if subject to preshipment inspection.

The bank opening the L/C sends copies of the L/C, the exporter's pro-forma or final invoice, and the completed Report of Proposed Importation form, to the SGS Manila Liaison Office.

Step 1b -- For importations effected without a L/C:

Importer must submit written details of his proposed importation, using the "Report of Proposed Importation" registration form, also called an "Inspection Advice Note (IAN) Application" form, to the SGS Manila Liaison Office (by fax, mail, in person, or by email. Application must be submitted together with the exporter's pro-forma or final invoice.

Step 2: SGS reviews the "Report of Proposed Importation," registers the proposed importation, and within 12 hours is supposed to issue the importer an "Inspection Advice Note" (IAN). The IAN will contain a footnote indicating whether the goods covered by the registration are not subject (or where applicable, subject) to physical preshipment inspection. SGS forwards the IAN to the importer by fax, mail, or E-mail, and sends a copy electronically to the SGS office in the country of exportation for forwarding to the exporter. Importers, exporters and brokers should be able to check the SGS/Manila Internet site for status of their IAN.

Step 3a -- If SGS confirms the planned importation is not subject to physical preshipment inspection, pursuant to Amended Joint Order 1-91 and CMO 5-98:

After completing its review of valuation and classification, the SGS Manila Liaison Office is supposed to issue an "Advance Clearance Report" (ACR) within 72 hours of its initial receipt of the registration document by the importer. SGS will then issue a "Clean Report of Findings" (CRF) upon receipt of a copy of the exporter's final settlement invoice, from the importer or directly from the exporter (see Step 4).

Step 3b: If SGS Manila Liaison Office determines the planned import requires physical preshipment inspection, pursuant to Amended Joint Order 1-91 and CMO 5-98:

If the only reason is due to non-compliance with the provisions of CMO 46-94, SGS will give the importer the opportunity to revise its submission, so that physical inspection will not be necessary.

SGS will issue a "Request for Inspection," which will be sent to the exporter. SGS will attempt to contact the exporter and schedule an inspection within three days of issuance of the Request for Inspection. It is incumbent upon the exporter to schedule an inspection with the SGS office in the country of exportation. In exceptional cases, the exporter can request an inspection be scheduled before receipt of the IAN.

Within 72 hours of completion of the physical inspection (24 hours for air shipments), SGS Manila Liaison Office will issue an "Advance Clearance Report" (ACR). The ACR confirms the results of the review of documentation or the physical inspection, and has details of the goods inspected. It is sent to the importer and the exporter.

Once the ACR is issued the importer or exporter must submit a final settlement invoice to the Manila Liaison Office or to the SGS office in the country of exportation. Once the importer or exporter presents the final invoice, SGS will conduct final price verification, and issue a "Clean Report of Findings" (CRF).

Step 4: Issuance of "Clean Report of Findings" (CRF). Within 2 days of receiving the settlement invoice from the exporter or importer, and verifying valuation, SGS Manila Liaison Office will issue a CRF to the importer for clearance of the goods from the Bureau of Customs. Issuance of the CRF enables the importation to be made. SGS states the exporter "is advised to check with SGS prior to shipment if there are any doubts concerning whether a CRF will be issued.” Importers, exporters, and brokers will be able to check the SGS/Manila Internet site for the status of their CRF.

As noted above, if no physical preshipment inspection is required, SGS requires the IAN and the seller’s final invoice to issue a CRF. If physical inspection is required, SGS requires the IAN, seller’s final invoice, and the ACR generated by physical preshipment inspection, to issue a CRF.

SGS will transmit the CRF to the importer by either mail or local courier service (at SGS expense), depending on the importer’s preference. SGS hopes to be able to transmit the CRF to the importer by electronic data interchange (EDI) or Internet later in 1999. SGS already transmits the CRF electronically to Customs.

d. Dispute Resolution

A joint SGS-Bureau of Customs Appeals Committee is available to consider appeals. The Appeals Committee reviews valuation and classification findings that are challenged by importers, BOC appraisers, or other parties, including, in some cases, local import-sensitive manufacturing companies which produce goods competing with the imported product. Appeals are registered and scheduled for hearing by the Committee’s secretariat, based at the Bureau of Customs. The Appeals Committee is composed of representatives from Customs, other concerned government agencies (including the Tariff Commission, the Department of Trade and Industry’s Bureau of Import Services), the Philippine Chamber of Commerce and Industry, and other private sector interests. SGS does not have a voting role, but is called on to defend its recommendations. The Committee is supposed to decide on appeals within three months; SGS officials say most cases are decided well within that time frame. In many cases pursuing an appeal can result in the importer incurring substantial warehousing costs.

C. Tariff Rates

The Philippine tariff schedule, based on the 1996 Harmonized System nomenclature, contains 5,638 tariff lines. The lowest rate of duty imposed is 0%, the highest, 80%. Overall, the unweighted average tariff has been progressively reduced from 27.84% in 1990 to 11.24% in 1998 and 10.08% in 1999. By January 1, 2000, the country’s average nominal tariff is supposed to decline to 9.08%.

Under the current tariff schedule, commodities such as chemicals, raw materials, and capital equipment not locally manufactured are generally levied duties of 3%. As a participant in the WTO Information Technology Agreement, the Philippines will have zero duties on most information technology equipment and inputs by the year 2000. Intermediate products and raw materials produced locally are generally assessed duties of 7% or 10%. Finished products which are produced locally are subject to tariff rates of between 15-30%. The highest rates of duty, 35-80%, are assessed on sensitive agricultural commodities.

More than half of the total tariff lines are currently dutiable at 0% or 3%. Tariff lines dutiable at 5-7% account for two percent of total tariff lines; while lines at 10% account for fourteen percent; lines at 15% account for eight percent; and lines at 20% account for fifteen percent of total tariff lines. Nine percent of tariff lines carry rates of 25-30%, and two percent of the tariff schedule has rates of 35-80%.

Average 1999 tariff rates in various sectors are: (a) agriculture – 16.55%; (b) textiles – 15.73%; (c) metal products – 8.69%; (d) machinery - 7.06%; (e) chemicals – 4.83%; and, (f) minerals – 3.53%. For the year 2000, key sectoral average tariff rates are scheduled to be: (a) agriculture – 16.55%; (b) textiles – 11.51%; (c) metals – 8.39%; (d) machinery – 7.06%; (e) chemicals – 4.36%; and, (f) minerals – 3.2%.

D. Import Taxes

Almost all products, including imports, are subject to a 10% value-added tax (VAT). The VAT is imposed on imports for resale or reuse. Exemptions from the VAT include the sale or importation of agricultural and animal food products in their original state; the sale or importation of feeds, seeds, and fertilizers; the sale and importation of coal, natural gas, and certain petroleum products subject to excise tax; and the importation of passenger and/or cargo vessels of more than 5,000 tons to be operated by the importer. The VAT is based on the valuation determined by the Bureau of Customs for the application of customs duties, plus those duties themselves, excise taxes, and other charges (other charges refer to charges on imports prior to release from customs custody, including insurance and commissions).

Certain products, whether domestically manufactured or imported, are subject to excise tax. These include alcohol products, tobacco products, petroleum products, mineral products, fireworks, cinematographic films, automobiles, artificial sweeteners, jewelry, perfumes/toilet waters, and yachts/similar vessels.

U.S. producers of distilled spirits and automobiles have raised concerns about certain discriminatory aspects of the Philippines' excise tax system. For example, the excise tax structure for automotive vehicles includes tiers based on engine displacement rather than vehicle value. The excise tax structure for distilled spirits has the effect of subjecting most imported distilled spirits to a higher excise tax than that applied to distilled spirits produced from indigenously available materials.

E. Import License Requirements

The National Food Authority (NFA) remains the sole importer of ordinary rice and continues to be involved in imports of corn. Private grain dealers may import premium or fancy rice only with an Import Clearance issued by the NFA. As noted above, fifteen tariff lines of agricultural commodities (at the 4-digit HS level) are currently subject to minimum access volume (MAV) tariff-rate quotas (TRQs). Administrative Order (A.O.) 9 of 1996, as amended by A.O. 8 of 1997 and A.O. 1 of 1998, established the rules by which these TRQs are implemented and import licenses are allocated.

Effective January 1, 1999, the Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR) banned the importation and consumption of Chloroflourocarbons (CFCs) and Halons. In the EMB/DENR announcement furthering implementation of Republic Act 6969, the only exception is when the CFCs will be used for servicing old equipment, for which importation and consumption may be allowed until the year 2010. The Bureau of Customs will release the substances only to importers registered and accredited by the EMB/DENR.

Effective April 15, 1999, the National Telecommunications Commission (NTC) authorized the use of satellite-based cellular phones (Global Mobile Personal Communications by Satellite – GMPCS). Prior to importation of handsets for this purpose, cellular phone service providers or authorized equipment dealers importing GMPCS handsets into the country are required to obtain an import certification from the NTC.

Certain other commodities require clearance/permits from appropriate government agencies prior to importation into the Philippines. These commodity groups, and the relevant government agencies, are listed in Section I, below.

F. Temporary Goods Entry Requirements

All articles brought into the Philippines for repair, processing or reconditioning to be re-exported upon completion of repair, processing or reconditioning are exempted from the payment of import duties. However, a bond amounting to one and one-half times the ascertained duties and taxes and other charges should be paid to the Bureau of Customs.

G. Special Import/Export Requirements and Certifications

Import Requirements and Certifications

A few commodities are regulated, i.e., their importation will be allowed if covered by an import authority issued by the concerned government agency. Fewer still are prohibited, those that are specifically prohibited under Section 101, Tariff and Customs Code of the Philippines (TCCP), as amended, and other special laws.

The importation status of any commodity (whether prohibited, regulated or freely importable) may be checked/verified with the Bureau of Customs (BOC), Department of Trade Industry (DTI) and Bangko Sentral ng Pilipinas (Central Bank of the Philippines) or any of its authorized agent banks.

Import documents required for all shipments to the Philippines are: (1) commercial invoice; (2) bill of lading or air way bill for air shipments; (3) certificate of origin (if requested); (4) packing list; and (5) various special certificates required due to the nature of goods being shipped and/or requested by importer/bank/letter of credit clause, e.g., (a) Bureau of Food and Drugs license, (b) Commercial Invoice of Returned Philippine Goods and (c) Societe Generale de Surveillance's (SGS) Clean Report of Findings (CRF) on Shipments valued at more than $500 FOB or its equivalent on other foreign currencies (See Chapter VI: Customs Regulations).

Import Requirements for Pharmaceutical Products:

Any person who desires to import pharmaceutical products should secure a license to operate from the Bureau of Food and Drugs (BFAD) and submit the documents as specified in the checklist of requirements. The Bureau of Food and Drug (BFAD) is the government agency tasked with the administration and enforcement of laws pertaining to the manufacture and sale of food, drug and cosmetics in the Philippines.

After the issuance of the license to operate, all imported finished products (in original packaging) intended to be distributed commercially should be submitted to Products Services Division for registration and submit the documents as specified in the checklist of requirements. All raw materials are exempted from registration.

In case of antibiotics, in addition to product registration, each batch should be submitted for batch certification before distribution.

For penicillin-containing pharmaceutical products, a holder of a valid license to operate as drug distributor/importer should apply for permit to import and submit all documents as specified in the checklist of requirements.

Checklist of Requirements for Drug Distributors

1. Accomplished Notarized Petition Form/Joint Affidavit of Undertaking
2. List of products to be distributed identified by generic names and brand names
   Reference materials:
   - Philippine National Drug Formulary
   - R.A. 3720 – Foods, Drugs, Devices & Cosmetics Act
   - R.A. 6675 – Generics Act of 1988 and relevant implementing rules and regulations
   - R.A. 5921 – Pharmacy Law as amended and relevant implementing rules and regulations
   - R.A. 8203 – Special Law on Counterfeit Drugs and its implementing rules and regulations
3. Any one of the following reference books:
   - United States Pharmacopeia/National Formulary

(USP/NF)(latest edition)
   - Remington's Pharmaceutical Sciences (latest edition)
   - Goodman & Gilman Pharmacological Basis of Therapeutics (latest edition)
4. Batch Distribution Record Book
5. Copies of Pharmacist's Registration Certificate, PRC (Philippine Regulation Commission) ID, valid PTR, ID picture, Duties and Responsibilities, Certificate of Attendance of owner/pharmacist to a BFAD seminar on Licensing of Drug Establishments and outlets
6. Location Plan/Floor Plan (Office and Storage Room) with dimensions

Photocopies of the following:

- If corporation, Registration Certificate with SEC and Articles of incorporation or partnership
- If single proprietorship, Certificate of Business Name Registration with Bureau of Trade Regulation and Consumer Protection (BTRCP)
- Contract of Lease for the space of the office and storage if the applicant does not own the building
- If importer:
    - Foreign Agency Agreement from each supplier duly authenticated by the Territorial Philippine Consulate
    - Certificate of Registration of manufacturer and its conformity with GMP from Health Authority (for finished products only)
- If wholesaler:
    - A valid contract with BFAD licensed supplier/manufacturer
    - Certification that the products it sells are registered with BFAD
    - LTO (License To Operate) of manufacturer
- If Exporter:
    - A valid contract with BFAD licensed supplier/manufacturer
    - Certification that the product it sells are registered with BFAD
    - LTO of manufacturer

Import Requirements for Food Products:

The Philippines is a signatory to the World Trade Organization and has lifted quantitative restrictions on imports of food products except for rice. Rice may be imported only by the Philippine Government through the National Food Authority, formerly an attached agency of the Department of Agriculture, now seated in the President's Office for Food Security. The Philippines replaced the previous import restrictions with quota rate tariffs on some "sensitive" agricultural products. Quarantine Clearances that serve as import licenses are required prior to the importation of fresh fruits and vegetables as well as all kinds of meat and meat products (see section on Importation of Fresh Produce and Meat). All other food product imports do not have licensing requirements except where permits are required for commodities entering duty-free or are taking advantage of an in-quota tariff on items such as live swine, frozen pork, frozen chevon, frozen poultry, fresh/chilled potatoes, coffee beans, corn, coffee extract.

Import Regulations for Processed Food Products:

Philippine food regulations generally follow the U.S. Food and Drug Administration policies and guidelines as they pertain to food additives, good manufacturing practices and suitability of packaging materials for food use. Hence, compliance with U.S. regulations for packaged foods, particularly for labeling will almost always assure compliance with Philippine regulations. All food products offered for sale in the Philippines must be registered with BFAD. Registration of imported products may only be undertaken by a Philippine entity, although some documentation and, for certain types of products, samples need to be provided by the exporter. Products have been divided into two categories with distinct sets of registration requirements and procedures.

<u>Category I</u> includes: bakery & bakery related products; non-alcoholic beverages & beverage mixes; candies & confectionery products; cocoa & cocoa related products; coffee, tea & non-dairy creamer; condiments, sauces & seasonings; culinary products; gelatin, dessert preparation & mixes; dairy products; dressings & spreads; flour/flour mixes & starch; fish & other marine products; fruits, vegetable & edible fungi *(prepared)*; meat and poultry products *(prepared)*; noodles, pastas & pastry wrapper; nut & nut products; native delicacies; oils, fats & shortening; snack foods & breakfast cereals and; sugar & other related products.

<u>Category II</u> includes: alcoholic beverages; food supplements; tea

(herbal); bottled drinking water; foods for infant & children; foods for special dietary use; transgenic food products (use of genetic engineering/biotechnology) and; ethnic food products with indigenous ingredient(s) not common in the Philippines.

An application for registration should be filed by the Philippine importer for the importation and distribution/offer for sale for "each class per brand" of product. Only products with a valid Certificate of Product Registration from BFAD will be allowed for sale in the Philippines.

Following are the list of requirements for the registration of food products:

<u>Category I</u>

1. Letter of application for registration from importer/distributor
2. Accomplished Affidavit of Undertaking, typewritten and notarized
3. Accomplished product list by product classification, three (3) copies
4. Valid License to Operate (from BFAD) with name of supplier/source(s) of imported food products
5. Copy of sales invoice
6. One sample of each product in commercial presentation and a copy of the label that is in conformance with Codex Labeling Regulations and BFAD requirements. In lieu of product sample, a colored picture of each product may be submitted. A sticker indicating the name and address of the importer must be attached if such information is not printed on the label.
7. Registration fee of Pesos 25 per product

<u>Category II</u>

1. Letter of application for registration from importer/distributor
2. Valid License to Operate (LTO) as an importer/distributor (issued by BFAD)
3. Product Information
   a. List of ingredients in decreasing order of proportion. For additives with prescribed limit, the amount added must be indicated.
   b. Finished product specification (physico-chemical and microbiological)
4. Samples of the product in its commercial presentation for laboratory analysis.
5. Loose label and labeling materials to be used for the products.
6. Estimated shelf-life, parameters used and methods for

determining shelf-life.

7. Brief description/flow diagram of the method of manufacture
8. Certificate of analysis. Include analytical methods used. Additional requirements for food supplements may apply as necessary.
9. Registration fee of Pesos 25 per product plus cost of laboratory analysis.

Laboratory testing by BFAD for products under category II is mandatory to determine the safety of the product and to assure that there will be no misbranding or adulteration of products. Products under Category I may be subject to random examination at any time during the validity of the registration and the cost of laboratory analysis shall be charged to the importer.

A Certificate of Product Registration (CPR) shall be issued by BFAD and shall be valid for two (2) years. Subsequent renewal of CPR shall be valid for a period of three (3) years.

Exporters should also note that a Philippine importer needs to secure a License to Operate from BFAD, which is actually a pre-requisite for the registration of any food products. The License lists names of foreign suppliers or sources of the products being registered. Thus, the importer is required to obtain from the exporter and submit to BFAD the following: (1) a copy of the Foreign Agency Agreement duly authenticated by the Philippine Consulate in the country of origin; and (2) a Certificate of Status of Manufacture by the exporter issued by the Government Health Agency from the country of origin which should also be authenticated by the Philippine Consulate.

Import Regulations for Fresh Produce and Meat:

The Bureau of Plant Industry (BPI) of the Philippine Department of Agriculture regulates imports of fresh fruits and vegetables. All imports of fresh produce require phytosanitary clearances from BPI which also serve as import licenses. These clearances are applied for by the Philippine importer for each shipment. Shipments of fresh fruits and vegetables should be accompanied by a USDA Phytosanitary Certificate (PC) issued at the port of origin. The freight container number and corresponding seal number should be listed on the PC under “distinguishing marks”. Shipments from the U.S. may transit through Hong Kong, Taiwan, etc., however, container seals should remain intact. Breakage of container seals before verification by BPI on arrival may subject shipment to re-exportation or precautionary fumigation. The BPI also conducts random checks on shipments.

Fresh fruit imports from Florida and Texas are currently prohibited due to phytosanitary reasons, i.e., the presence of fruit flies. However, the efforts of the Foreign Agricultural Service in Manila to resolve these impediments to trade has recently succeeded in signing a protocol with the Bureau of Plant Industry of the Philippines for Florida grapefruit. Under this protocol, any grapefruit must show certification that it comes from the approved areas in Florida certified free from Caribfly.

Philippine imports of fresh vegetables have previously been restricted and occasional imports were allowed only for tourist oriented establishments. Import restrictions were lifted in 1995 as part of the Philippines Uruguay Round Commitments. However, imports remain very limited as phytosanitary import protocols for most fresh vegetables are still being formulated by the Philippine Bureau of Plant Industry. Fresh potatoes, onions and garlic are the only vegetables that have existing import protocols. The establishment of import protocols is usually a lengthy process as it involves pest and pesticide risk analysis, including ocular inspection of potential source of products by BPI personnel. Our office hopes to have progress on this front in the near future.

The Bureau of Animal Industry (BAI) of the Philippine Department of Agriculture on the other hand regulates imports of all meat and processed meat products. A Veterinary Quarantine Clearance (VQC), which also serves as the import permit, should be secured from BAI by the Philippine importer for each shipment. Meat plants in the United States that are accredited by USDA/FSIS are allowed to export to the Philippines. Meat shipments should be accompanied by an FSIS certificate. In addition, processed meat products should be registered with the Bureau of Food and Drug (see section on Import Regulations for Processed Food Products).

Tariff rates for “sensitive” agricultural products were established in Executive Order 313 of March 1996 which set varying in-quota and out-quota rates for most tariff lines. In-quota rates apply to products imported within established *minimum access volumes* (MAV). Any imports in excess of the MAV would be assessed the out-of-quota rate. Most of the MAV products are those for which the Government committed to WTO to provide minimum market access in exchange for the lifting of quantitative import restrictions. The administration, including allocation, of minimum access volumes is handled by a MAV Management Committee. The table below shows the utilization by importers of the in-quota tariffs for pork and poultry. The licensing procedures followed by the Philippines for these two commodities are specified in bilateral MOU agreement. The MOU amended previous regulations that the U.S. found to be ineffective because the previous licensing scheme allowed the bulk of the allocations to given to local pork producers and poultry integrators. Please contact our office for further information on minimum access volumes and current MAV license holders.

Executive Order 465, which further modified rates of import duties on certain products, was recently signed and took effect in January 1998. E.O. 465 revised the staging of tariff reductions for a wide range of products to enhance competitiveness of identified priority sectors. The notable provision in the agricultural section is the elimination of the MAV for frozen beef that effectively reduced the tariff rate to 30, 20 and 10 percent in 1998, 1999 and 2000, respectively. Tariff reductions were also accelerated on some products that are not produced locally like fresh apples and grapes; fresh or dried and prepared fruits and nuts; and frozen potatoes.

Please contact FAS Manila (See Chapter XI for contact information) for further information on rates for specific tariff lines by providing us the harmonized codes.

The Philippine has a contract with Societe Generale de Surveillance S.A. (SGS), referred to as the Comprehensive Import Supervision Scheme (CISS). Under the modified scheme, known as Selective Pre-shipment Inspection and Advance Clearance System (SPACS), importation covered by this scheme will undergo an electronic clearance system. Few products will be subjected to an actual Pre-shipment Inspection (See Chapter VI: Customs Valuation).

Export Requirements and Certification

The exporter needs to fill out an Export Declaration (ED) form. The ED form is available at the Bureau of Export Trade Promotion, One Stop Export Documentation Center and Philippine Export Zone Authority and Philippine Exporters Confederation Inc. (See

Appendix E: U.S. and Country Contacts for contact information). Prior to filing the ED form with the BOC or One Stop Export Documentation Center for processing and approval, the exporter needs to secure an export commodity clearance from the proper government commodity office if required by the buyer. He must obtain a certificate of exemption if his product requires export clearance (See Chapter VI: Export Controls). The BOC grants the Authority to Load on the ED when the required supporting documents are complete. If the exporter courses the export negotiation or payment of the export shipment through the commercial bank or offshore banking unit, he must provide the latter a copy of the duly accomplished ED form (for record purposes).

H. Labeling Requirements

Every imported or locally manufactured product must display the following information:

1. Registered trade or brand name;
2. Duly registered trademark;
3. Duly registered business name;
4. Address of the manufacturer, importer or repacker of the consumer product in the Philippines;
5. General make or active ingredients;
6. Net quantity of contents, in terms of weight, measure or numerical count in the metric system;
7. Country of manufacture, if imported; and,
8. If a consumer product is manufactured, refilled or repacked under license from a principal, the label shall state such facts.

The following additional information may also be required by the responsible government agency:

1. Whether the product is flammable or inflammable;
2. Directions for use, if necessary;
3. Warning of toxicity;
4. Wattage, voltage or amperes; and,
5. Process of manufacture used, if necessary.

Once a product has been certified as having passed the consumer product standard prescribed by the Bureau of Product Standards of the Department of Trade and Industry, its label must contain the Product Standard (PS) quality mark. Exemptions from specific marking requirements may include: articles that cannot be marked prior to shipment without injury or at prohibitive expense; crude substances, crude products, and products imported for use by the importer and not for resale in its imported form; or products produced 20 or more years ago. For these items, the container must indicate the country of origin and product name. Mislabeling, misrepresentation or misbranding may subject an entire shipment to seizure and disposal.

Agricultural Items: Processed packaged food products are required to comply with the regulations of the Philippine Bureau of Food and Drugs (BFAD). All labeling must be in English. For U.S. products, compliance with USFDA requirements will virtually always assure compliance with Philippine regulations. It is the importer’s responsibility to satisfy BFAD requirements.

Pharmaceuticals: The “Generics Act” of 1988, which its authors state is intended to promote the use of generic pharmaceuticals, requires that the generic name of a particular pharmaceutical must appear above its brand name on all packaging.

Textile and Garment Labeling: A reasonably legible label, with letters not less than 1.5 mm in size, on which the information is stamped, printed, woven or indicated in tags, is mandatory for the following:

1. Finished textile fabrics in rolls or folds;
2. Textile piece goods;
3. Ready-made garments;
4. Household and institutional linens such as bed sheets, towels, napkins, and placemats; and,
5. Textile products such as handkerchiefs, umbrellas, socks, hosiery, neckties and scarves.

Mislabeling, misrepresentation, or misbranding may subject the entire shipment to seizure and disposal.

Method of Labeling for ready-made garments: The label must be durable enough to withstand normal laundering, and shall include the manufacturer’s name or trademark or both; the percent fiber content by mass, using the generic name of the fiber in the order of predominance; and the country of origin (the address of manufacturer may also be indicated in the packaging). Labels for blouses, dresses, jackets, robes, nightgowns, shirts and sweaters must be affixed at the center back neckline, or at any other appropriate place, such as side seam, facing of front placket, etc. Labels for pants, skirts, pajamas, shorts, tights, or half-slips, must be affixed at any appropriate place, such as the inside waistband or inner facing of the ply.

Method of Labeling (for textile fabric): For finished textile fabrics in rolls or in folds, the label, which includes the trademark, the percent fiber content by mass, using the generic name of the fiber in the order of predominance, and the country of origin, must be woven into the selvedge not more than two meters apart, regardless of the width of the fabric. When it is not practical or possible to conform to the previous requirement, an alternative method shall be to print or stamp the required information on the outer-edge portion of the fabric roll or fold and, in addition, to attach tags at the beginning and end of the roll or folds. For textile piece goods, a tag must be attached to the goods when there is no label on the selvedge. In cases where tags are to be attached by the purchaser (retailer), the name of the store must be indicated.

Labels are not mandatory for special items made of textiles, such as narrow fabrics, artificial flowers, purses, doilies, bags, hats, belts, gloves, and other garments or clothing accessories not specified above.

I. Prohibited/Regulated Imports

The following commodities may not be imported into the Philippines:

-- Dynamite, gunpowder, ammunition and other explosives, firearms and weapons of war, and parts thereof, except when authorized by law;

-- Written or printed articles in any form containing any matter advocating or inciting treason, rebellion, insurrection, sedition or subversion against the government of the Philippines, or forcible resistance to any law of the Philippines, or containing any threat to take the life of, or inflict bodily harm upon any person in the Philippines;

-- Written or printed articles, negatives or cinematic films, photographs, engravings, lithographs, objects, paintings, drawings or other representation of an obscene or immoral character;

-- Articles, instruments, drugs and substances designed, intended or adapted for producing unlawful abortion, or any printed matter which advertises or describes or gives directly or indirectly information where, how or by whom unlawful abortion is produced;

-- Roulette wheels, gambling outfits, loaded dice, marked cards, machines, apparatus or mechanical devices used in gambling or the distribution of money, cigars, cigarettes or other articles when such distribution is dependent on chance, including jackpot and pinball machines or similar contrivances, or parts thereof;

-- Lottery and sweepstakes tickets, except those authorized by the Philippine government, advertisements thereof, and lists of drawings therein;

-- Any article manufactured in whole or in part of gold, silver or other precious metals or alloys thereof, the stamps, brands or marks of which do not indicate the actual fineness of quality of said metals or alloys;

-- Any adulterated or misbranded articles of food or any adulterated or misbranded drug in violation of the provisions of the "Food and Drugs Act";

-- Marijuana, opium, poppies, coca leaves, heroin or any other narcotics or synthetic drugs which are or may hereafter be declared habit-forming by the President of the Philippines, or any compound, manufactured salt, derivative, or preparation thereof, except when imported by the government of the Philippines or any person duly authorized by the Dangerous Drugs Board, for medicinal purposes only;

-- Opium pipes and parts thereof, of whatever material;

-- Used clothing and rags (R.A. 4653);

-- Toy firearms and explosives (Letter of Instruction 1264 dated July 31, 1982); and

-- Chlorofluorocarbon (CFC) and other ozone-depleting substances.

Certain commodities require clearance/permits from appropriate government agencies prior to importation into the Philippines. These commodity groups are:

Commodity Group	Government Agency Issuing clearance
-- Acetic anhydride	Ms. Mae Unite Chief – Control, Regulation and Intelligence Division Dangerous Drugs Board Champ Building Anda Circle, Bonifacio Drive Port Area, Manila Tel: (632) 527-32-23 Telefax: (632) 527-32-13
-- Rice and corn	Mr. Conrado Ibanez Director – Directorate for Marketing Operations National Food Authority Matimias Building 101 E. Rodriguez, Sr. Ave. Quezon City Tel: (632) 712-1564 Fax: (632) 712-1260
-- Sodium cyanide	Ms. Angelita Bravante Chief – Chemical Substance Management Section Environmental Management Bureau (EMB) Dept. of Environment and Natural Resources DENR Compound, Visayas Ave. Diliman, Quezon City Tel: (632) 426-4332 Fax: (632) 426-4335
-- Penicillin/derivatives	Ms. Nazarita Lanuza Chief – Regulation Division 1 Bureau of Food and Drugs Filinvest Corporate City

Alabang, Muntinlupa
Telefax: (632) 807-0725

-- Coal and coal derivatives Mr. Rufo Erfe
Director – Energy Industry
Admin. Bureau (EIAB)
Dept. of Energy and Natural
Resources
PNPC Complex, Merritt Road
Fort Bonifacio, Taguig,
Metro Manila
Tel: (632) 845-0893
Fax: (632) 844-65-44

-- Color reproduction machines Mr. Pablo Ballaran
Chief – Identification and
Records Division
National Bureau of
Investigation (NBI)
NBI Bldg, Taft Ave., Manila
Tel: (632) 523-2437
Fax: (632) 523-7414

and

Ms. Teresita Manique
Cash Department
2/F Multi-Storey Building,
Bangko Sentral ng Pilipinas
A.
abini St., Manila
Tel: (632) 525-3082
Fax: (632) 536-6007

-- Chemicals for the manufacture of explosives Sr. Supt. Jose Marlowe Pedragosa
Chief – Firearms and
Explosives Division
Philippine National Police
Camp Crame, Quezon City
Tel: (632) 724-8710
Fax: (632) 722-7570

-- Pesticides including Ms. Aida Ordas

agricultural chemicals	Chief – Pesticides Regulatory Division Fertilizer and Pesticide Authority 4/F Building B, NIA Complex E. delos Santos Ave. Quezon City Telefax: (632) 922-3368
-- Motor vehicles, parts and components -- Truck and automobile tires and tubes, all sizes, used -- No-dollar imports of used motor vehicles	Atty. Alexander Arcilla Director – Bureau of Import Services Dept. of Trade and Industry Oppen Building Sen. Gil Puyat Ave. Makati City Tel: (632) 890-5545 Fax: (632) 890-5491
-- Warships of all kinds	Asst. Sec. Cezar Bello Installation and Logistics Dept. of National Defense Camp Aguinaldo, Quezon City Tel: (632) 911-6227 Fax: (632) 911-6244
-- Radioactive materials	Mr. Domingo Domondon Chief – Nuclear Regulations, Licensing and Safeguards Division Philippine Nuclear Research Institute Commonwealth Ave., Diliman, Quezon City Tel: (632) 929-6011 loc. 244 Fax: (632) 920-1646
-- Legal tender Philippine currency in excess of P10,000	Ms. Celia Gonzales Director – Foreign Exchange Department Rm. 311 5-Storey Building Bangko Sentral ng Pilipinas A.

	abini St., Manila Tel: (632) 536-6077 Fax: (632) 523-3277
-- Global personal communication handsets for commercial sale	Engr. Efren Cabanlig Director – Radio Regulation Licensing Dept. National Telecommunication Commission NTC Building, BIR Road, East Triangle, Diliman, Quezon City Tel: (632) 924-4024 Fax: (632) 967-8109

J. Warranty and Non-Warranty Repairs

Generally, the government imposes a 3% duty and a 10% value added tax on replacement parts. (See Chapter VI: Import Taxes, Customs Regulations and Temporary Goods Entry Requirements.)

K. Export Controls

The Bureau of Export Trade Promotion of the Department of Trade and Industry listed 31 products that require export clearances from various government agencies prior to shipment. These products are:

	Product	Government Agency
1.	Abaca and ramie seeds, seedlings, suckers, root stocks and other planting materials *	Fiber Industry and Development Authority
2.	All exports to socialist and centrally-planned economies: Albania, Laos, People's Democratic Republic, Ethiopia, Mozambique, Angola, Mongolia People's Republic, Democratic Republic of Korea, Nicaragua, Myanmar	Philippine International Trading Corporation

3.	All plants, planting materials and plant products capable of harboring pests; insect specimens, live and dead	Bureau of Plant Industry
4.	Animals, animal products and effects	Bureau of Animal Industry
5.	Antiques, cultural artifacts and historical relics	National Museum
6.	Mangrove *	Forest Management Bureau, Department of Environment and Natural Resources
7.	Milkfish fry, mother milkfish *	Bureau of Fisheries and Aquatic Resources
8.	Capiz shells: semi-finished or semi-processed	Bureau of Fisheries and Aquatic Resources
9.	Coffee	Department of Trade and Industry
10.	Copper concentrates	Board of Investments
11.	Firearms, ammunition and and explosives	Firearms and Explosives Office, Philippine National Police, Department of Interior and Local Government
12.	Garments and textiles, carpets, polyester stable fiber, filament yarns, fabrics, upholstered furniture and other natural and synthetic fibers and all products made up in whole or in part of these fibers for export to all countries with or without quota	Garments and Textile Export Board
13.	Gold from small scale mining	Bangko Sentral ng

	or panned gold	Pilipinas (Central Bank of the Philippines)
14.	Grains and grain by-products	National Food Authority
15.	Logs, poles and piles including log core and flitches/railroad ties	Forest Management Bureau, Department of Environment and Natural Resources
16.	Lumber	Forest Management Bureau, Department of Environment and Natural Resources
17.	Matured coconuts/seedlings *	Philippine Coconut Authority
18.	Motion pictures/television films and related publicity materials	Movie and Television Review and Classification Board
19.	Natural fibers	Fiber Industry Development Authority
20.	Legal tender Philippine notes and coins, checks, money orders and other bills of exchange drawn in pesos against banks operating in the Philippines greater that Pesos 10,000.00	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
21.	Prawn-spawner and fry *	Bureau of Fisheries and Aquatic Resources
22.	Radioactive materials	Philippine Nuclear Research Institute
23.	Raw materials for cottage industries *	Department of Trade and Industry
24.	Shells *	Bureau of Fisheries and Aquatic Resources
25.	Undersized raw shells	Bureau of Fisheries and Aquatic Resources

26.	Stalactites and stalagmites *	Department of Environment and Natural Resources
27.	Sugar and molasses	Sugar Regulatory Administration
28.	Wildlife species: wild marine species, e.g., precious, semi-precious and all ordinary corals raw and by-products *	Bureau of Fisheries and Aquatic Resources
29.	Wildlife species: wild marine species, e.g., water snakes (Cerberus Rynchops); sea snakes; frogs: live, skin or products from the skin or meat	Bureau of Fisheries and Aquatic Resources Protected Areas and Wildlife Bureaus
30.	Wild terrestrial species whether live, stuffed or by-products *	Protected Areas and Wildlife Bureau
31.	Other wild terrestrial species	Protected Areas and Wildlife Bureau

* Government prohibits export except for scientific or testing purposes.

L. Standards

The Bureau of Product Standards (BPS) is the Philippines' National Standards Body. A governmental agency under the Department of Trade and Industry (DTI), it develops, implements and promotes standards as prescribed in the Consumer Act of the Philippines (Republic Act 7394).

The BPS formulates Philippine National Standards (PNS) or adopts relevant international or foreign standards to help industries produce quality products or services and raise productivity. The standards also help consumers evaluate product quality. Some aligned standards focus on quality management systems (ISO 9000) and environmental management systems (ISO 14000) that apply to both the manufacturing and services sectors.

Moreover, the BPS operates a product certification scheme under which a manufacturer obtains a license to use the Philippine Standard (PS) Quality and/or Safety Marks for its capability to consistently manufacture products in accordance with a specific Philippine National Standard (PNS) or an internationally accepted foreign standard. To upgrade the National Product Quality Certification Scheme, Department of Administrative Order (DAO) No. 1 series of 1997 was released to enable Philippine enterprises achieve world-class standards and gain access to international markets. A significant initiative of this scheme is the inclusion of a company's quality management system (ISO 9000 requirements) as well as the expansion of the PS Certification Mark Scheme to foreign companies.

The BPS issues the Import Commodity Clearance (ICC) to importers of products covered by mandatory Philippine National Standards after the import shipments have been evaluated by BPS as meeting the requirements of the applicable Philippine standard. BPS subjects import shipments to sampling and testing, including those that have been certified abroad as meeting the requirements of foreign or international standards.

Mandatory standards cover 69 specific products. These products include lighting fixtures, electrical wires and cables, cement, pneumatic tires, fire extinguishers, liquefied petroleum gas, sanitary wares, toys and household appliances among others.

The BPS offers its clients third-party testing of products through its BPS Testing Center to verify conformity to buyer-seller specifications and to support the PS and ICC certification mark systems and the research requirements of standards development.

The BPS accredits testing and/or calibration laboratories under its BPS Laboratory Accreditation Scheme (BPSLAS), and conformity assessment bodies (Quality System Certification Bodies) and implements an information program to promote standardization. It provides the following services: (1) Technical Help to Exporters, (2) Standards Data Center, (3) Sales, (4) Publications and (5) Trainings/Seminars. Basic information on the BPS services are available at the BPS Homepage (www.sequel.net/~dtibpsrp; www.dti.gov.ph/bps)

The BPS signed Mutual Recognition Agreements (MRAs) with a number of countries such as Indonesia (DSN) on recognition of standardization, accreditation, certification, metrology, technical information and training; Japan (JET), on factory inspection and testing, and Australia (SAQAS), on certification.

Only the modern metric system (SI units) can be used to measure any product, commodity, material and utility. It is also the only system that can be used in any commercial transaction, contract and other legal instrument, official record and document. The Philippine government prohibits importation of non-metric measuring devices, instrumentation and apparatus without prior clearance from BPS.

BPS is a member of the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) and a signatory to the GATT/WTO Agreement on Technical Barriers to Trade.

M. Free Trade Zones/Warehouses

Free Trade Zones

R.A. 7916 provides authority related to the country's four government-owned export processing zones and also to some 40 privately-owned and operated "special economic zones." Both types of zones are commonly referred to in the Philippines as "ecozones." Pursuant to R.A. 7916, an "ecozone" may contain any or all of the following: industrial estates, export-processing zones, free trade zones, and tourist/recreation centers. As defined by R.A. 7916, an export processing zone is a "specialized industrial estate located physically and/or administratively outside the customs territory, predominately oriented to export production." Enterprises in export processing zones "are allowed to import capital equipment and raw materials, free from duties and other import restrictions."

Any person, partnership, corporation, or business organization, regardless of nationality, control and/or ownership, may register as an export processing zone enterprise with PEZA. To qualify for duty and tax incentives, all production must be exported, although there are provisions under which up to 30% of output (not merely assembly or packaging of materials) may be allowed for sale on the domestic market, subject to applicable taxes and duties.

R.A. 7916 defines a "free trade zone" as "an isolated policed area adjacent to a port of entry where imported goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed or otherwise manipulated without being subject to import duties."

The special economic zones located inside the former U.S. military bases at Clark and Subic are independent from PEZA, are subject to separate legislation, and operate under the management and control of the Clark Development Corporation and the Subic Bay Metropolitan Authority, respectively. They are both considered outside the customs territory of the Philippines. (See Chapter VII – Sec. E.)

Warehouses

Customs Memorandum Order (CMO) 3-98 imposes a moratorium on approvals to operate and establish customs public and private bonded warehouses, customs bonded trading warehouses, and common bonded warehouses. Existing bonded warehouses are not affected. CMO 3-98 does not affect applications for customs bonded manufacturing warehouses, which will still be accepted and processed by the Bureau of Customs.

The Customs Bonded Manufacturing Warehouse (CBMW) Scheme allows the tax and duty-free importation of raw materials that are manufactured into finished products and exported within a period of not more than one year from the importation of the raw materials. The importation goes through the normal processing of the Bureau of Customs (BOC) except that taxes and duties ascertained on the raw materials are not collected. Instead, the importer posts a re-export bond equivalent to the assessed taxes and duties to allow the release of shipment from Customs.

The imported raw materials are stored and manufactured in the warehousing facility established for the purpose, which could be any of the following:

1. Garments/Textile Customs Bonded Manufacturing Warehouse, for garments importer-manufacturer;

2. Miscellaneous Customs Bonded Manufacturing Warehouse, for importer-manufacturer of articles, other than garments; and

3. Common Bonded Manufacturing Warehouse, which could either be

garments or non-garments, for importer-manufacturers who do not have a warehousing facility of the own.

Applications to establish and operate a CBMW may be filed directly with the BOC, except for Garments/Textiles CBMW, which should be filed first with the Garments and Textile Export Board (GTEB). When approved, the GTEB endorses the application to BOC for verification of compliance with structural and other Customs requirements.

CBMW operators should put up a general warehousing bond and pay an annual supervision fee to Customs.

The Bureau of Customs is in the process of substantially revising/amending Customs Memorandum Order 39-91, deemed as the bible of Customs Bonded Manufacturing Warehouse operation. The revision is expected to be completed within 1999.

N. Membership in Free Trade Arrangements

AFTA – The ASEAN Free Trade Area (AFTA) calls for a Common Effective Preferential Tariff (CEPT) for most products and among most member states of 0-5% by the year 2002. As agreed at the 6th ASEAN Summit in Hanoi in December 1998, by the year 2000, 85% of tariff headings in each country's Inclusion List should be at 0-5% tariff rates; by 2001, 90%; and by 2002, all tariff headings in the Inclusion List should be at 0-5% (including, in principle, Temporary Exclusion List products, both manufactured and unprocessed agricultural products).

The Philippines has stated its commitment to this objective, but the country's progress in implementation of CEPT rate reductions is, by some measures, somewhat behind that of most of its ASEAN partners. Based on the present CEPT rate reduction schedule, only 74% of tariff headings in the Philippines' Inclusion List will be at 0-5% rates by the year 2000, versus the committed level of 85%. In order to meet its commitment, the Philippines will need to accelerate its CEPT tariff rate reduction schedule and integrate temporarily excluded and other sensitive products into the Inclusion List. Philippine officials say they are working toward that end.

The Board of Investments (BOI) has approved nine projects for special tariff preferences under the ASEAN Industrial Cooperation

(AICO) scheme. Beneficiary companies must have operations in at least two ASEAN member countries. Most of the products in the projects approved to date are in the automotive and consumer products sectors. In line with an ASEAN decision made in December 1999, BOI says that, through December 31, 2000, it is relaxing certain application procedures for any companies that submit applications for AICO preferences.

APEC – As a member of the Asia Pacific Economic Cooperation (APEC) forum, the Philippines has committed to participate in the move toward the establishment of free trade in the region. Developed economies are expected to establish free and open trade by the year 2010, developing economies like the Philippines have until 2020 to eliminate barriers.

The Philippines agreed to participate in the eight Early Voluntary Sectoral Liberalization (EVSL) initiatives endorsed at the 1997 APEC Leaders Meeting in Vancouver. However, the Philippines lodged extensive reservations, including on the principle of tariff elimination. Philippine officials stated that they could not agree to tariff elimination for both policy and revenue reasons. The Philippines also requested flexibility on end dates.

O. Customs Contact Information

Queries related to valuation and clearance:
Bureau of Customs (BOC)
Atty. Titus Villanueva, Deputy Commissioner
Assessment & Operations Group
South Harbor, Port Area, Manila
Phone: (632) 527-9473
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Queries related to tariff nomenclature and classification:
Tariff Commission
Dr. Emmanuel T. Velasco, Chairman
5th Floor, Philippine Heart Center Bldg.
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Phone : (632) 928-8106, (632) 921-7960
Fax : (632) 921-7960
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Queries related to preshipment inspection and valuation:
SGS Far East Limited

Economic Affairs Division - Manila Liaison Office
David W. Robinson, Treasurer
20th Floor, Citibank Tower
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Phone : (632) 848-0777
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VII. INVESTMENT CLIMATE

A. Openness to Foreign Investment

While progress in investment liberalization has been substantial, important barriers to foreign entry remain. The 1991 Foreign Investment Act (FIA) lifted the 40% foreign ownership ceiling generally imposed on domestic enterprises, provided no incentives are sought and the activity does not appear on the FIA's "negative lists".

Barriers Under FIA's Negative Lists: March 1996 legislation abolished one of three negative lists originally under the FIA (i.e., List C, which limited foreign ownership in "adequately served" sectors). The two remaining lists fully or partially restrict foreign ownership in a variety of sectors of the economy:

-- List A restricts foreign investment in certain sectors because of constitutional or legal constraints. For example, the practice of licensed professions is fully reserved for Philippine citizens, as are industries such as mass media, retail trade, small scale mining, private security agencies, rice and corn trading, and the manufacture of firecrackers and pyrotechnic devices. Varying foreign ownership ceilings are imposed on enterprises engaged in, among others, financing, advertising, domestic air transport, public utilities, pawnshop operations, education, employee recruitment, and public works construction and repair (with the exception of Build-Operate-Transfer and foreign-funded or assisted projects). Land ownership is also constitutionally restricted to Filipino citizens or to corporations with at least 60% Filipino ownership. In general, companies engaged in the exploration and development of natural resources – which must be undertaken under production sharing or similar arrangements with the Government –

should be at least 60% Filipino-owned (except for high-cost and high-risk activities such as oil exploration and large-scale mining.) In 1998, private domestic construction was deleted from List A, lifting the 40% foreign ownership ceiling previously imposed on such firms. On the other hand, commercial deep sea fishing was added to the list of activities where foreign investment is prohibited, implementing the provisions of the 1998 Agriculture and Fisheries Modernization Act.

-- List B restricts foreign ownership (generally to 40%) for reasons of national security, defense, public health, safety and morals. This list also seeks to protect local small- and medium-sized firms by restricting foreign ownership to no more than 40% in non-export firms capitalized at less than $200,000.

The FIA's foreign investment negative list does not include sectors regulated by the Bangko Sentral ng Pilipinas, where foreign ownership restrictions also apply.

Barriers in Financial Services: Although an improvement from previous restrictions, a 60% foreign ownership cap applies to financing companies. The insurance industry (formerly part of the FIA's deleted List C) was opened up to majority foreign ownership in 1994, although minimum capital requirements increase with the degree of foreign ownership. A 60% foreign ownership ceiling applies to domestically incorporated banks. May 1994 amendments to the country's banking law allowed a maximum of ten additional foreign banks to establish branches in the Philippines. Rural banking is completely closed to foreigners. A 60% foreign ownership cap applies to securities underwriting firms.

Land Ownership Restrictions: Foreign companies investing in the Philippines may lease land for 50 years, renewable once for another 25 years, or a maximum 75 years. Prior to 1994, foreign firms were allowed to lease land for 25 years only, renewable once for another 25 years, or a maximum 50 years.

Barriers Affecting Privatization: Except for the foreign ownership restrictions contained in the FIA Negative Lists, there are no separate regulations which discriminate against foreign buyers under the Government's privatization program.

Barriers Affecting BOT projects: R.A. 6957 (as amended by R.A. 7718) provides the legal framework for build-operate-transfer

(BOT) projects and similar private sector-led infrastructure arrangements. The BOT and similar schemes are generally open to both domestic and foreign contractors/operators. The exceptions are projects that involve operating a public utility franchise (such as railways/urban rail mass transit systems, electricity distribution, water distribution and telephone systems), which must be awarded to enterprises at least 60% Filipino-owned. American firms have already won contracts under BOT and similar arrangements, including in the power generation and water distribution sectors. Developers of BOT and similar projects valued at over one billion pesos may register for incentives with the Board of Investment.

Barriers to Foreign Investors Seeking Incentives: Under Book I ("Investments with Incentives") of the 1987 Omnibus Investment Code, the Philippine Government, through the Board of Investments (BOI), offers incentives to exporters and to preferred activities listed in an annual Investment Priorities Plan (IPP). Screening mechanisms for companies seeking investment incentives appear to be routine and non-discriminatory, but the application process can be complicated, especially since implementation of incentives granted by the BOI often depends on actions by other agencies, such as the Department of Finance.

Certain provisions under the Omnibus Investment law favor local over foreign investors, by imposing more stringent conditions for foreign-owned enterprises to qualify for incentives:

-- In general, foreign-owned firms producing for the domestic market must engage in a "pioneer" activity to qualify for incentives (see Chapter VII – Sec. G). "Non-pioneer" activities are generally opened up to foreign equity beyond 40 percent only if, after three years, domestic capital proves inadequate to meet the desired industry capacity.

-- In cases where export-oriented companies may also qualify for BOI registration and incentives, subject to certain conditions (such as the type of products/services exported and/or export markets), export requirements are higher for foreign-owned companies (at least 70% of production should be for export) than for domestic companies (50% of production for export).

Foreign-owned companies which meet the conditions for BOI registration must agree to divest to maximum 40% foreign ownership within thirty years or such longer period as the BOI may allow. Foreign firms that export 100% of production are exempt from this divestment requirement.

B. Right to Private Ownership and Establishment

The Government respects the private sector's right to freely acquire or dispose of its properties or business interests. However, acquisitions, mergers and other combinations of business interests involving foreign equity must comply with foreign nationality caps specified in the Constitution and other laws.

There are few activities/sectors closed to private enterprise, generally for security, health and public morals. Most forms of gambling/gaming operations are considered illegal. The government controls and operates the country’s casinos through the Philippine Amusement and Gaming Corporation (Pagcor) and runs lotto/sweepstake operations through the Philippine Charity Sweepstakes Office (PCSO).

Private and government-owned firms generally compete equally, although there are exceptions. For example, government-owned banks corner the bulk of public sector deposits. The National Food Authority, a government agency, is the sole importer of ordinary rice. In some cases, government procurement guidelines -- specifically for rice, medicines and infrastructure projects -- favor Philippine over foreign-controlled firms. In the insurance sector, current regulations specify that only the state-owned Government Service Insurance System (GSIS) may provide insurance coverage for government-funded and BOT projects. As a general rule, locally-funded government consulting requirements should be serviced by Philippine-controlled firms.

C. Protection of Property Rights

General Property Rights -- Although the Philippines has established procedures and systems for registering claims on property (including intellectual property and chattel/mortgages), delays and uncertainty associated with a cumbersome court system continues to be of concern to investors. Illegal property occupation (“squatting”) can pose a potential problem for owners of idle and unguarded properties. Landowners and legal practitioners claim that a 1992 law (R.A. 7279 –- Providing for a Comprehensive and Continuing Urban Development and Housing

Program) has tended to complicate and further delay legal proceedings. R.A. 7279 directs government agencies and local government units to offer financial assistance and provide relocation to squatters facing eviction from properties occupied as of 1992 or earlier. Squatters have sometimes falsely invoked the cutoff provision in an attempt to obtain compensation.

Intellectual Property Rights -- While substantial progress has been made in recent years, significant problems remain in ensuring the consistent and effective protection of intellectual property rights (IPR). A new intellectual property code (R.A. 8293), which was signed into law on June 6, 1997, and took effect January 1, 1998, improves the legal framework for IPR protection in the Philippines. R.A. 8293 provides enhanced copyright and trademark protection, and creates a new Intellectual Property Office (IPO), with original jurisdiction to resolve certain disputes concerning alleged infringement and licensing; significantly increases penalties for infringement and counterfeiting; and relaxes provisions requiring the registration of licensing agreements.

Deficiencies in R.A. 8293 remain a source of serious concern. These include, inter alia, a provision permitting the decompilation of software programs as "fair-use," subject to certain restrictions; the lack of authority for courts to order the seizure of pirated material as a provisional measure without notice to the suspected infringer; ambiguous provisions that fail to provide clearly an exclusive right for copyright owners over broadcast, rebroadcast, cable retransmission, or satellite retransmission of their works; and onerous restrictions affecting contracts to license software and other technology. Some provisions of R.A. 8293, while nominally in force, are currently unavailable to rights holders, because of organizational delays at the IPO. These include the right to pursue cases against IPR violators using the IPO's administrative complaint provisions.

The following paragraphs all pertain to the Philippines' new Intellectual Property Code, which took effect January 1, 1998.
-- Patents (Part II): R.A. 8293 moves the Philippines to a first-to-file system, increases the term of patents from 17 to 20 years from date of filing, and provides for the patentability of micro-organisms and non-biological and microbiological processes. The holder of a patent is guaranteed an additional right of exclusive importation of his invention. A compulsory license may be granted in some circumstances, including if the patented

invention is not being worked in the Philippines without satisfactory reason, although importation of the patented article constitutes working or using the patent. Legislation is pending to provide IPR protection to plant varieties and layout-designs of integrated circuits, as required by the WTO TRIPS Agreement.
-- Industrial Designs (Sec. 118): The registration of a qualifying industrial design shall be for a period of five years from the filing date of the application. The registration of an industrial design may be renewed for not more than two consecutive periods of five years each.

-- Trademarks, Service Marks and Trade Names (Part III): R.A. 8293 no longer requires prior use of trademarks in the Philippines as a requirement for filing a trademark application. The law also eliminated the requirement that well-known marks be in actual use in Philippine commerce or registered with the Bureau of Patents, Trademarks, and Technology Transfer. A Certificate of Registration (COR) shall remain in force for ten years. A COR may be renewed for periods of ten years at its expiration upon request and payment of a prescribed fee.

-- Copyright (Part IV): R.A. 8293 expands IPR protection by clarifying protection of computer software as a literary work (although it includes a fair-use provision on decompilation of software), establishing exclusive rental rights in several categories of works and sound recordings, and providing terms of protection for sound recordings, audiovisual works, and newspapers and periodicals that are compatible with the WTO TRIPS Agreement. However, as noted above, ambiguities and gaps remain, including the fair-use provision on software decompilation and the lack of authority for courts to order the seizure of pirated material as a provisional measure without notice to the suspected infringer (required by TRIPS Article 50).

-- Performers Rights (Sec. 204.2): "The qualifying rights of a performer ... shall be maintained and exercised fifty years after his death." Ambiguities exist in R.A. 8293 concerning exclusive rights for copyright owners over broadcast and retransmission.

-- Trade Secrets: While there are no codified rules on the protection of trade secrets, Philippine officials assert that existing civil and criminal statutes protect trade secrets and confidential information.

-- Enforcement: In addition to the IPO, agencies with IPR enforcement responsibilities include the Department of Justice, the National Bureau of Investigation (NBI -- the Philippine equivalent of the FBI), the Videogram Regulatory Board (VRB), the National Library, the Bureau of Customs, and the Economic Intelligence and Investigation Bureau. The Presidential Interagency Committee on Intellectual Property Rights (PIAC-IPR) is composed of representatives from these and other agencies, and is tasked with coordinating enforcement efforts. The private sector can file requests for IPR enforcement actions at the PIAC-IPR. While administrative enforcement has improved somewhat through these efforts, serious problems continue to hamper the effective operation of agencies tasked with IPR enforcement. Resource constraints, already a problem, have been exacerbated by general government budgetary shortfalls.

In general, government enforcement agencies are most responsive to those copyright owners who actively work with them to target infringement. Enforcement agencies generally will not proactively target infringement unless the copyright owner brings it to their attention and works with them on surveillance and enforcement actions. Joint efforts between the private sector and the NBI have resulted in some successful enforcement actions. The VRB and the Bureau of Customs have also undertaken increased enforcement efforts, in coordination with the private sector. While certain courts have been designated to hear IPR cases, little has been done to streamline judicial proceedings in this area, as these courts have not received additional resources and continue to handle a heavy non-IPR workload. In addition, IPR cases are not considered "major crimes," and take a lower precedence in court proceedings. Because of the prospect that court action will be lengthy, many cases are settled out of court.

Piracy of computer software and motion pictures continues to be a serious problem. The Business Software Alliance reports that 77% of all business application software is unlicensed and/or pirated. Ninety percent of entertainment software is pirated. A 1995 Presidential Memorandum Circular requires that government agencies use only licensed software. Some progress has been made toward this end, but compliance figures are based on self-assessments and compliance is not subject to outside audits.

Despite generally positive cooperation with the Videogram Regulatory Board and actions by the NBI, local representatives and distributors of U.S. and domestically produced motion pictures report that video piracy remains widespread. Copyright infringement by cable operators has increased dramatically, and the National Telecommunications Commission (NTC) has failed to enforce provisions that allow it to revoke operating permits of operators engaged in piracy. New leadership at the NTC has promised to undertake more effective enforcement, but progress remains to be seen.

The Philippines is a party to the Paris Convention for the Protection of Industrial Property and the Patent Cooperation Treaty; it is also a member of the World Intellectual Property Organization, although it has not signed the WIPO Treaties on Copyright and Phonograms/Performance Rights. The Philippines is a founding member of the World Trade Organization, but, as a developing country, is not legally bound by most provisions of the WTO Agreement on Trade-related Intellectual Property Rights (TRIPS) until January 1, 2000.

D. Adequacy of Laws and Regulations Governing Commercial Transactions

The judicial system can be easily accessed and the courts are known to intervene in commercial and regulatory issues. There have been criticisms that judges rarely have any background in or thorough understanding of economics, business or an open trading system, and that some decisions have strayed from the interpretation of law to policymaking. There have also been charges that the judicial system can be manipulated. The Court of Appeals and the Philippine Supreme Court are not as selective as in the United States, and tend to hear most cases that are elevated to them. Many cases are, therefore, eventually elevated to the Supreme Court. Partly as a result, the court system is overburdened and cases proceed extremely slowly.

While there are laws/statutes prohibiting unfair trade practices (i.e., the Constitution and the Revised Penal Code), the Philippines does not have a comprehensive, well-defined anti-trust law.

Legal provisions governing insolvency/bankruptcy are contained in the Philippines' Corporation Code and jurisdiction over such matters is divided between the Securities and Exchange Commission (SEC) and local courts. However, the law has important shortcomings, including a lack of detailed guidelines and standards for reorganization, liquidation, or debt payment suspension cases. It also does not clearly specify how interests of debtors and creditors should be balanced. As a result, legal proceedings face potential delay. A recent, major example of the potential difficulties and delays arising from ambiguous insolvency/bankruptcy regulations involves Philippine Airlines (PAL), where some creditors allege the SEC violated its own rules and procedures in approving the airline's rehabilitation plan.

E. Foreign Trade Zones/Free Ports

Foreign Trade Zones: Republic Act 7916, "The Special Economic Zone Act of 1995," grants preferential tax treatment to enterprises located in "special economic zones" (also referred to as "ecozones"). Pursuant to R.A. 7916, "ecozones" may contain any or all of the following: export processing zones, free trade zones, and certain industrial estates. The Philippine Economic Zone Authority (PEZA) manages four government-owned export-processing zones and administers incentives available to firms located in some 40 privately-owned and operated zones. Any person, partnership, corporation, or business organization, regardless of nationality, control and/or ownership, may register as an export processing zone enterprise with PEZA.

Enterprises located in ecozones designated "export processing zones" are considered to be outside the customs territory of the Philippines and are allowed to import capital equipment and raw material free from customs duties, taxes, and other import restrictions. Goods imported into "free trade zones" may be stored, repacked, mixed, or otherwise manipulated without being subject to import duties. Goods imported into both export processing zones and free trade zones are exempt from the government's Selective Preshipment Advance Classification Scheme (SPACS). An ecozone may simultaneously be registered as both an export processing zone and a free trade zone, although the registered enterprise cannot receive incentives under both categories. A developer may register his project as an ecozone, and at the same time locate inside that ecozone as an enterprise, but under separate names.

Incentives for firms in export processing and free trade zones include: exemption from corporate income tax (four years for non-pioneer and six years for pioneer, renewable up to an additional two years); after the expiration of the income tax exemption, a special 5% tax rate in lieu of national and local income taxes; tax credits for import substitution; exemptions from wharfage dues, export taxes and other fees; a tax credit on domestic capital equipment; tax and duty-free importation of breeding stocks and genetic materials; tax credits on domestic breeding stocks and genetic materials; additional deductions for labor costs and training expenses; permanent resident status for foreign investors and immediate family members; permission to hire foreign nationals; and simplified import procedures.

Recent amendments to the Special Economic Zone Act (under R.A. 8748), which took effect on June 20,1999, include: (1) imposition of a real property tax on land owned by ecozone developers; (2) increasing from one to two percentage points the share of income tax to be passed directly to local government units; and (3) reorganizing and expanding the membership of the PEZA Board from nine to thirteen. R.A. 8748 does not apply to economic zones and areas created under the Bases Conversion and Development Authority (BCDA) and other special laws (described in the following paragraphs).

Two other privately-owned ecozones are independent of PEZA oversight: the Zamboanga City Economic Zone and Freeport, located in Zamboanga City, Mindanao; and the Cagayan Special Economic Zone and Freeport, covering the city of Santa Ana, Cagayan Province, and adjacent islands. The incentives available to investors in these zones are provided for by R.A. 7903 and 7922, respectively, and are very similar to those provided by PEZA under R.A. 7916.

In addition, the special economic zones located inside the two principal former U.S. military bases in the Philippines are also independent of PEZA and subject to separate legislation under the BCDA (created under R.A. 7227). These are the Subic Bay Freeport Zone (SBFZ) in Subic Bay, Zambales, and the Clark Special Economic Zone (CSEZ) in Angeles City, Pampanga. Firms operating inside the SBFZ and CSEZ are exempt from import duties and national taxes on imports of capital equipment and raw materials needed for their operations within the zone. Both the SBFZ and the CSEZ are managed as separate customs territories. Products imported into the zones are exempt from the government's Selective Preshipment Advance Classification Scheme, with the exception of products imported for sale at duty-free retail establishments within the zones. Firms operating in the zones are required to pay only a 5%

tax based on their gross income. Both zones boast of their own international airports, power plants, telecom networks, housing complexes and tourist facilities.

F. Major Taxation Issues Affecting U.S. Business

The Philippines has a tax treaty with the United States for the purpose of avoiding double taxation, providing procedures for resolving interpretative disputes, and enforcing taxes of both countries. The treaty also seeks to encourage bilateral trade and investments by allowing the exchange of capital, goods and services under clearly defined tax rules and, in some cases, preferential tax rates. Under the Philippine-U.S. tax treaty, the maximum tax rate on interest income that can be imposed on American investors by the Philippine government is 15%, versus a 20% withholding tax rate normally applied. According to U.S. banks, obtaining a refund of the 5% excess tax is often difficult. In recent years, some treaty disputes also arose between U.S.-owned companies and the Philippine government's Bureau of Internal Revenue (BIR), mainly on the interpretation of permanent establishments, business profits and royalties. A number of disputes (such as the applicability of a preferential withholding tax rate on royalties paid to U.S. firms by a Philippine company) have been resolved in favor of U.S. taxpayers.

Intercompany pricing is an emerging issue in the world, including the Philippines. The Philippine tax code gives the BIR Commissioner the authority to allocate income or deductions between/among related organizations or businesses, whether or not organized in the Philippines, if it is determined that such allocation is necessary to prevent tax evasion. In mid-1998, the BIR issued audit guidelines and procedures for the examination of related groups of companies and created audit teams to focus on large taxpayers and their intercompany transactions. These teams will focus, among others, on the following issues: use of tax shelters; transfer pricing; arbitrary cost-sharing arrangements; shifting income and/or expenses in favor of a related company with special tax privileges; and tax avoidance through resale and agency arrangements. The BIR also issued guidelines on the determination of an arm's length price, where different methods under OECD rules on transfer pricing may be used as reference.

G. Performance Requirements/Incentives

Performance Requirements: Performance requirements, usually based on an applicant's approved project proposal, are established for investors granted incentives, and vary from project to project. In general, the Board of Investments and the investor agree on yearly production schedules and, for export-oriented firms, export performance targets. The BOI requires registered projects to maintain at least 25% of total project cost in the form of equity.

The BOI generally sets a 20% local value-added benchmark when screening applications. The BOI is flexible in enforcing local value-added ratios registrants commit to in their approved project proposal, as long as actual performance does not deviate significantly from other participants in the same activity. Currently, the BOI strictly specifies industry-wide local content requirements only for participants under the Government's Motor Vehicle Development Program. Current guidelines also specify that participants in this program generate, via exports, a certain ratio of the foreign exchange needed for import requirements. However, monitoring is reportedly weak. Pursuant to its Uruguay Round/WTO commitments, the Government has until January 1, 2000, to phase-out these and other measures inconsistent with the WTO Agreement on Trade-related Investment Measures (TRIMS).

The BOI has been flexible in enforcing individual export targets, provided that exports as a percentage of total production do not fall below the minimum requirement (50% for local firms and 70% for foreign firms) needed to qualify for BOI incentives. BOI-registered foreign-controlled firms must agree to attain Filipino status (i.e., minimum 60% Filipino-ownership) over a period of thirty years.

Local sourcing requirements: Outside of the investment incentives regime, investors in certain industries are subject to specific laws which require local sourcing. Executive Order (E.O.) 776, for example, requires that pharmaceutical firms purchase semi-synthetic antibiotics from a specific local company, unless they can demonstrate that the landed cost of imported semi-synthetic antibiotics is at least 20% less than that produced by the local firm. E.O. 259 bans imports of laundry soap and detergents containing less than 60% coconut-based surface active agents of Philippine origin, implicitly requiring local sourcing by soap and detergent manufacturers. Letter of Instruction (LOI) 1387, issued in 1984, requires mining firms to offer their copper concentrates to Philippine Associated Smelting and Refining Corp. (PASAR) -- a government-controlled company until its recent privatization. Intended to ensure the raw material requirements of PASAR, mining companies have long complained that the policy restricts their flexibility to take advantage of more profitable opportunities in the export market.

Investment Incentives: The government's Board of Investments grants incentives for firms engaged in government-preferred activities (i.e., those included in the annual Investment Priorities Plan and registered with the BOI under Book I – "Investment with Incentives" - of the Omnibus Investment Code). "Pioneer" BOI-registered enterprises refer to companies which manufacture goods not yet produced in the Philippines on a commercial scale or which employ a formula, process, or production scheme not yet tried in the country. They enjoy more liberal incentives than "non-pioneer" firms, including a longer income tax holiday privilege and 100% foreign ownership (with divestment over a thirty-year period). "Non-pioneer" companies refer to enterprises in preferred activities that do not, however, qualify for "pioneer" status. The basic incentives offered to BOI-registered companies include:

-- Income tax holiday: Six (6) years and four (4) years, respectively, for registered new pioneer and non-pioneer firms; three (3) years for registered expanding firms, proportionate to the firm's expansion.

-- Additional deduction for labor expense: For the first five years from registration, an additional deduction from taxable income of 50% of the wages of direct-hire workers, provided the project meets the prescribed capital equipment-to-workers ratio set by the BOI.

-- Tax and duty exemption on imported breeding stocks and genetic materials and/or tax credits on local purchases thereof (equivalent to the taxes and duties which would have been waived if imported), for purchases made within ten years from a company's registration with the BOI;

-- Unrestricted use of consigned equipment, machinery and spare parts; and

-- Employment of foreign nationals: BOI-registered enterprises may employ foreign nationals in supervisory, technical or advisory positions within a five-year period from registration (extendible for limited periods at the discretion of the BOI) under simplified visa procedures especially provided under Sec. 47-A(2) of the Philippine Immigration Act. To effect the transfer of skills, government regulations require the training of Filipino understudies for the positions occupied by foreigners. If foreign-controlled, registered firms may indefinitely retain foreigners in the positions of president, treasurer, general manager or their equivalents.

Incentives for Projects in Less Developed Areas: To encourage the regional dispersal of industries, BOI-registered enterprises which locate in less-developed areas are automatically entitled to "pioneer" incentives. In addition, such enterprises can deduct from taxable income an amount equivalent to 100% of outlays for infrastructure works. They may also deduct 100% of incremental labor expenses from taxable income for the first five years from registration (double the rate allowed for BOI-registered projects not located in less developed areas).

Incentives for Exporters: In addition to the general incentives available to BOI-registered companies, a number of incentives provided under the Omnibus Investment Code apply specifically to registered export-oriented firms. These include: a tax credit for taxes and duties paid on raw materials used in the processing of export products; exemption from taxes and duties on imported spare parts (applies to firms exporting at least 70% of production); and access to customs bonded manufacturing warehouses.

Firms which earn at least 50% of their revenues from exports may register for incentives under the "Export Development Act" (EDA) enacted in December 1994. Exporters registered with the EDA may also enjoy BOI incentives, provided the exporters are registered according to BOI rules and regulations and the exporter does not take advantage of the same or similar incentives twice. Incentives under the EDA include a tax credit for imported inputs and raw materials not readily available locally (through December 31, 1999), and a tax credit, which ranges from 2.5% to 10%, of the annual incremental export revenue.

Incentives for Multinational Regional Headquarters/

Warehouses: Subject to certain conditions, Book III of the Omnibus Investment Code grants incentives for the establishment of regional or area headquarters (RHQs) in the Philippines. Incentives to the regional or area headquarters include exemption from income tax and from local licenses/fees/dues, and tax and duty-free importation of training and conference materials. Privileges extended to foreign executives include tax and duty-free importation of household effects, multiple entry visas for the executive and his/her family, as well as exemption from various types of government-required clearances and from fees under immigration and alien registration laws.

Legislation pending in the Philippine Congress would grant similar incentives enjoyed by RHQs to "regional operating headquarters" (ROHQs). ROHQs, being income-generating, would not be exempt from VAT and would be subject to a preferential income tax rate. The pending legislation also seeks to further relax visa and entry requirements for both RHQ and ROHQ foreign employees and their dependents.

Under Book IV of the Omnibus Code, multinationals establishing regional warehouses for the supply of spare parts, manufactured components or raw materials for their foreign markets also enjoy fiscal incentives on imports that are re-exported. Imported merchandise intended for the Philippine market is subject to applicable duties and taxes.

Government-Financed Research and Development Programs: As a general rule, current regulations specify that government agencies engage Philippine companies for their locally-funded consulting requirements, including research and development projects. A Philippine firm is defined as one that is at least 60% owned by Filipinos. Foreign companies may, however, be allowed to participate in locally funded government research and development programs if the skill required is not available locally. Projects funded by foreign aid donors are not subject to these limitations.

H. Transparency of the Regulatory System

Regulatory agencies in the Philippines are generally attached to cabinet departments or the Office of the President. This can lead to a greater degree of political influence over the regulatory development process than might be expected if the regulatory agencies were statutorily independent. However, as part of the process of developing or changing regulations, many agencies are supposed to proceed through a public consultation process, often involving public hearings. In most cases, this ensures some transparency in the process of developing regulations. New regulations are supposed to be published in national newspapers of general circulation. Enforcement of regulations, once issued, is often weak and sometimes inconsistent.

Overall, the perception is that one must overcome substantial bureaucratic red tape to do business in the Philippines. Many U.S. companies find business registration, customs, immigration and visa procedures particularly burdensome. Some agencies (such as the Securities and Exchange Commission, Board of Investment, Department of Foreign Affairs) have established "express lanes" or "one-stop shops" to reduce bureaucratic delays, with varying degrees of success.

Both foreign and domestic investors have expressed concern about the propensity of the courts to issue "temporary restraining orders" (TROs) and to become embroiled in purely commercial and regulatory matters.

I. Corruption

The Philippine Revised Penal Code, Anti-Graft and Corrupt Practices Act, and Code of Ethical Conduct for public officials are in place and are intended to combat suspected corruption and related anti-competitive business practices. The Office of the Ombudsman investigates cases of alleged graft and corruption involving public officials. The "Sandiganbayan" (anti-graft court) prosecutes and adjudicates cases filed by the Ombudsman. There is also a Presidential Commission Against Graft and Corruption. Soliciting/accepting and offering/giving a bribe are criminal offenses, punishable with imprisonment (6-15 years), a fine and/or disqualification from public office or business dealings with the government. As with many other laws, enforcement of this provision has been inconsistent.

In spite of these government mechanisms directed at combating suspected corruption, widespread anecdotal evidence suggests that graft remains a problem at many levels in all branches of the Philippine Government. In the 1998 survey of public perceptions of corruption in 85 countries, undertaken by the non-governmental organization Transparency International, the Philippines was ranked fifty-fifth in terms of the perceived level of corruption (tied with Ghana, Mexico and Senegal). The U.S. Embassy and the American Chamber of Commerce in Manila have in the past successfully represented U.S. business interests in cases where U.S. firms seemed disadvantaged because of reportedly questionable bid/award or other government proceedings. The Philippines is not a signatory of the OECD Convention on Combating Bribery.

J. Labor

Labor Availability: American managers are likely to find in the Philippines a highly motivated work force that is easy to train. Recently established plant managers are generally pleased with their initial experience in recruiting and training Filipino workers. They often point to the following characteristics of the work force:

(1) Easy to train - literacy is high and employers give good marks to the quality of Filipino secondary education, including schools in areas distant from Manila. As a result, most young Filipino workers can read and speak English to a degree that permits managers to use American training materials and trainers from the U.S. in the first phases of new production.

(2) Productive - employers find that Filipino workers usually respond well to productivity goals and wage incentives for increasing their output.

Trade Unions: Many employers indicate they have a productive working relationship with local trade union leaders. In general, the trade union movement recognizes that its members' welfare is tied to the productivity of the economy and, more specifically, to the competitiveness of the firm where they work. The effects of globalization have pressured unions to factor new concerns into their bargaining and organizing approach. The example of frequent plant closures in industries affected by trade and increased imports makes unions across the board more willing to consider productivity issues as part of an employment package. The number of strikes in 1997-98 was fewer than 100 nationwide, a significant drop from the late 1980s.

However, the trade union movement is divided and rarely speaks with a single voice. Much depends on the personal leadership style of local union leaders. There are seven current national labor centers and 159 labor federations that serve about 3 million organized workers. There are also numerous independent unions unaffiliated with any federations.

Special Economic Zones: Special Economic Zones (SEZs) (see Section E) play a central role in attracting new investors to the Philippines. SEZs normally include their own "labor centers" for providing investors with assistance in recruiting staff, coordinating with the Department of Labor and Employment (DOLE) and social security agencies, and mediating labor disputes. The SEZs have helped produce the fastest growth in new jobs as both Filipino and foreign firms seek the tax and other advantages of operating in areas devoted to fostering export industries.

Many trade unions charge local SEZ administrators with fostering a "non-union" environment, noting that there are almost no unions in the great majority of the SEZ areas. A combination of local political pressures and the restricted access to the SEZ's appears to have hampered trade unions from making organizing inroads.

Wages: Multinational managers generally report that their total compensation package is comparatively low and a very good value for their mid-level management and skilled staff in the Philippines. They report that comparative wage costs are somewhat higher for semi-skilled and line workers.

Minimum wage costs are determined on a regional basis through the determination of Wage and Productivity Boards that meet periodically in each of the Philippine government's 14 administrative regions. In recent years, the regional boards have adjusted the minimum wage rate about once annually.

The Manila regional board normally sets the national trend. In January 1998, it made the most recent adjustment to the daily minimum, raising it to 197 pesos (about $5.20 at current exchange rates). The other regions followed suit in the following months, adjusting wages to a level 20 to 40 pesos less than Manila's. There are various exceptions granted by the wage boards, including separate rates depending on the type of industry. For example, the January 1998 determination in Manila exempted certain garment export industries from adhering to the new minimum as scheduled.

K. Efficiency of Capital Markets and Portfolio Investment

Foreign portfolio capital is welcome in the Philippines. Foreigners may purchase publicly or privately issued domestic securities, invest in money market instruments, and open peso-denominated savings and time deposits. Like direct equity investments, however, portfolio investments in publicly listed firms may be constrained by applicable foreign ownership ceilings stipulated under the Foreign Investment Act (FIA) and other laws (see Chapter VII – Sec. A).

Some firms classify their publicly listed shares as “A” (exclusively for Filipinos) and/or “B” (for foreigners and Filipinos) in the Philippine Stock Exchange. “B” shares trade at a premium. Recent regulations now allow foreigners to invest in “A” shares, but only through Filipino-controlled trusts. While the practice of classifying shares was common until the early 1990s, many newly-listed companies no longer classify shares into “A” and/or “B” because the Foreign Investment Act has since lifted the 40 percent general ceiling previously imposed on foreign investments. However, listed firms engaged in activities where foreign investment caps still apply (i.e., banking, utilities, real estate, exploration of natural resources, etc.) find the classification convenient for compliance purposes. The equities market is thin, concentrated and, therefore, prone to volatility. Hostile takeovers are rare because most company shares are not publicly listed and controlling interest tends to remain with a small group of parties. Cross-ownership and interlocking directorates among listed companies also lessen the likelihood of hostile takeovers.

Credit is generally granted on market terms, with the exception of policies that require financial institutions to set aside stipulated percentages of loans for agricultural/agrarian purposes, and for small enterprise borrowers. Since January 1997, liberalized regulations have allowed foreign firms to obtain peso credits without having to comply with stipulated debt-to-equity ratios. While the securities market is growing, it remains small and relatively underdeveloped, not yet able to offer investors a wide range of choices. Except for a number of major firms/conglomerates, long-term bonds/commercial papers are not yet major sources of long-term capital.

The banking system -- dominated by 53 commercial bank accounting for over 90 percent of total banking system resources -- remains generally sound and well capitalized despite a rising level of bad debts. As of April 1999, the five largest commercial banks had estimated total assets of pesos 982.2 billion (equivalent to about $25 billion), representing 39% of total commercial banking system resources. Thus far, the regional crisis has claimed only one relatively small commercial bank. Other bank failures involve the relatively smaller thrift and rural banks. The closed banks thus far make up barely a third of one percent of total banking system assets. Since the Asian crisis, the Bangko Sentral ng Pilipinas has been promoting larger and stronger banking institutions by requiring a staggered build-up in minimum capitalization levels and introducing policies and time-bound incentives to encourage mergers and consolidation. (See Chapter VIII – Sec. A.)

Generally accepted accounting principles (GAAP) in the United States significantly influenced the development of the Philippines' GAAP. The primary source of accounting standards in the country are embodied in the Statements of Financial Accounting Standards (SFAS) issued by the Accounting Standards Council (ASC), as approved and endorsed by the Professional Regulation Commission (PRC) and Board of Accountancy. In cases where the ASC may have not yet published an opinion, pronouncements issued by the Philippine Institute of Public Accountants (PICPA) and international standard setting bodies (such as the International Accounting Standards Committee, the U.S. Financial Accounting Standards Board, and the American Institute of Certified Public Accountants) heavily determine generally accepted accounting principles in the Philippines. A number of the larger local accountancy companies are affiliated with international accounting firms (among them, Price Waterhouse, Ernst & Young, Arthur Anderson, and Deloitte & Touche).

L. Conversion and Transfer Policies

There are no restrictions on the full and immediate transfer of funds associated with foreign investments (i.e., repatriation and remittances), foreign debt servicing, and the payment of royalties, lease payments, and similar fees. To obtain foreign exchange from the banking system for such purposes, the Bangko Sentral only specifies certain registration and/or documentation requirements. There is no difficulty in obtaining foreign exchange, and in general, foreign exchange can be freely bought and sold outside the banking system. There are no mandatory foreign exchange surrender requirements imposed on export earners.

The exchange rate is not fixed and varies daily in relation to market forces.

The Bangko Sentral liberalized the acceptable modes of payment for exports and imports under a succession of new regulations issued since 1992, provided that the commodities exported/imported are not classified as "prohibited" (i.e., banned outright) or "regulated" (which requires clearance from the appropriate government agencies). For monitoring purposes, the Bangko Sentral requires pre-registration of imports under Documents Against Acceptance (D/A) and Open Account (O/A) arrangements for an importer to be able to obtain foreign exchange from the banking system for payment.

M. Expropriation and Compensation

Philippine law guarantees investors freedom from expropriation, except for public use or in the interest of national welfare or defense. In such cases, the Government offers compensation for the affected property. Most expropriation cases involve right-of-way and acquisition for the implementation of major public sector infrastructure projects. In the event of expropriation, foreign investors have the right under Philippine law to remit sums received as compensation in the currency in which the investment was originally made and at the exchange rate at the time of remittance. Although subject to some flexibility, the government's compensation benchmark is zonal (rather than market) value, which has led to disagreement with property owners. Moreover, delayed compensation for expropriated properties is not uncommon, reflecting government budgetary constraints. There have been no major reports of expropriatory actions involving foreign parties in the recent past, nor are there known pending expropriation cases involving foreign investors.

However, there are laws that force local ownership. The Philippine Constitution, the Foreign Investment Act, and certain other laws ban foreigners from certain sectors and activities, and the Omnibus Investment Code specifies a 30-year divestment period for foreign-controlled companies which qualify for investment incentives (Chapter VII – Sec. A). Several U.S. firms with investments have been -- or may be -- affected by this requirement. One U.S. investor has been affected by a 1973 Presidential decree (Decree 194) which provides an exception to a 1961 law prohibiting foreign companies from engaging in rice and corn trade. Decree 194 provides an exception for foreign companies that require rice and corn as raw materials for milling, processing or trading, but foreign companies benefiting from this exception must divest at least 60% of their equity to Filipino citizens over a time period to be established by the Government.

N. Dispute Settlement

Reflecting the country's history, the Philippine legal system has been heavily influenced by both the American and Spanish models. As in the United States, the Philippine judiciary is constitutionally independent from the executive and legislative branches. The 1987 Constitution is the basis of the legal system and is supported by the Civil Code, Labor Code, National Internal Revenue Code, Tariff and Customs Code, Corporation Code, Investment Code, Environmental Code, Revised Penal Code and other codes and statutes.

The Philippines is a member of the International Center for the Settlement of Investment Disputes (ICSID) and of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Below are examples of recent investment issues involving foreign investors:

-- National Patrimony: In February 1997, the Philippine Court overturned the Government's 1995 award of 51 percent ownership of the Manila Hotel to a Malaysian firm. The Court based its decision on a broad constitutional mandate that qualified Filipinos be given preference in cases involving the "national economy or patrimony". The decision, following a 1996 presidential decision overruling a contract with a foreign firm for upgrading the Subic Bay Container Port, raised some questions about Philippine openness to foreign investors.

-- Divestment requirements: Under a 1961 law, foreign companies are banned from engaging in corn and rice trade. A 1973 Presidential decree permits an exception for foreign-owned businesses requiring rice and corn as raw material for milling, processing and trading. However, the decree also mandates that foreign companies benefiting from the exception transfer at least 60% of their equity to Filipino citizens over a time period to be established by the government, and requires such companies to submit a divestment plan. Divestment plans are subject to review and approval by the National Food Authority (NFA). In 1990, the Board of Investments granted a U.S. company a Certificate of Authority to build two feed mills, without a divestment plan or Philippine partner. The Philippine government is now threatening to enforce the legal requirement to submit a divestment plan. In 1995, NFA advised that it would not issue required warehouse permits until the company submits a divestment plan. Since that time, the company has been operating under provisional status.

O. Political Violence

Politically motivated attacks against American businesses or U.S. government facilities declined markedly in the 1990's. U.S. and Philippine authorities have cooperated successfully on international counter-terrorism cases, and an extradition treaty between the two countries is in effect.

Violence and kidnapping for ransom are serious problems in the Philippines, but foreigners are not normally targets. In 1998, an American businessman was murdered in Central Luzon, apparently as a result of a dispute over a contract award. The alleged assailants were arrested and their trial is pending. In a late 1995 kidnapping incident in the southern Philippines, American citizens were seized in an apparent case of mistaken identity; they were quickly released.

In May 1998, about 80% of the voters took part in an election for all officials from the president to municipal mayors, in yet another affirmation of the strength of Philippine democracy. Except for minor local incidents, the election was peaceful and free of fraud. Joseph Ejercito Estrada, the former Vice President, was elected with a decisive plurality. President Estrada has been willing to talk with Communist insurgents and Moro Islamic Liberation Front rebels, although he has used negotiating tactics which have put more pressure on both groups than those of his predecessor President Fidel Ramos. Neither insurgency is a threat to national stability. The overall peace and order situation nationwide is stable although there are areas in several regions where insurgents pose a threat.

The Philippines faces no serious external threat, although overlapping claims to disputed islands in the South China Sea cause friction. The United States and the Philippines are treaty allies under the Mutual Defense Treaty, which is the basis for our continuing security cooperation. The "Visiting Forces Agreement," which went into effect on June 1, 1999, will allow the resumption of normal military cooperation, including large-scale exercises and ship visits.

P. Bilateral Investment Agreements

The Philippines has bilateral investment agreements with Australia, Bangladesh, Belgium, Burma, Canada, Chile, China, the Czech Republic, Denmark, Finland, France, Germany, Iran, Italy, Korea, Netherlands, Pakistan, Romania, Russia, Spain, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, and Vietnam. The general provisions of the bilateral investment agreements include reciprocal protection and non-discrimination; the free transfer of capital, payments and earnings; freedom from expropriation and nationalization; and recognition of the principle of subrogation.

Q. OPIC and Other Investment Insurance Programs

The Philippines currently does not provide guarantees against losses due to inconvertibility of currency or damage caused by war. An updated Overseas Private Investment Corporation (OPIC) agreement was signed in October 1998, but has yet to enter into force. However, U.S. investors may contract for coverage under the previous arrangement. The Philippines is a member of the Multilateral Investment Guaranty Agency (MIGA), which also provides coverage against non-commercial risks such as currency inconvertibility and transfers restrictions, expropriation, war and civil disturbances, and contract repudiation by host country governments.

The estimated annual dollar equivalent of expenditures in Philippine pesos by U.S. government agencies is $50-60 million. Local currency purchases are made as needed by soliciting competing quotes from commercial banks. The exchange rate is not fixed and varies daily in relation to market forces.

R. Capital Outflow Policy

There are no restrictions on the repatriation of capital and remittance of profits for registered foreign investments. Outward capital investments from the Philippines do not require prior Bangko Sentral approval in each of the following cases: a) the outward investments are funded by withdrawals from foreign currency deposit accounts; b) the funds to be invested are not purchased from the banking system; or c) if sourced from the banking system, the funds to be invested are less than $6 million per investor per year.

XIV. S. Major Foreign Investors

The United States is the Philippines' largest foreign investor, with an estimated 29.4 percent share of the Philippines' foreign direct investment stock as of end-1998. An SEC listing of 1997's "Top 5000" corporate revenue earners included more than 600 firms with at least 40% foreign equity. These companies accounted for an estimated 28 percent of cumulative sales. Below are some of the larger firms in terms of total equity:

XV. Amounts in Million US$

	Name of Philippine Corp.	**Nationality of Foreign Investor**	**Equity a/**
1.	Pilipinas Shell Petroleum Corp.	British	354.6
2.	Coca Cola Bottlers Phils., Inc.	American	369.5
3.	Petron	Dutch b/	359.5
4.	Phil. American Life and Gen. Insurance Co.	American c/	346.5
5.	Digital Telecom (Phil.) Inc.	British	266.1
6.	Southern Company	American	226.0
7.	Globe Telecom (GMCR), Inc.	Singaporean d/	160.4
8.	Nestle Philippine Inc.	Swiss	123.8
9.	Procter & Gamble Phils., Inc.	American	114.4
10.	Amkor/Anam Pilipinas, Inc.	British e/	
11.	Caltex Phils., Inc.	American	87.2
12.	Eastern Telecom Phils., Inc.	British f/	87.1
13.	East Asia Power Resources	American	74.9
14.	Mitsubishi Motors Phils. Corp.	Japanese	73.4
15.	Sun Life Assurance Co.	Canadian	68.6
16.	Matsushita Electric Phils.	Japanese	65.5
17.	Citibank NA g/	American	65.8
18.	Republic Asahi Glass Corp.	Japanese	63.1
19.	Enron Power Phils. Corp.	American	57.9
20.	Dole Phils., Inc.	American h/	57.0
21.	Rohm Electronics Phil., Inc.	Japanese	56.2

22.	Makati Shangri-la Hotel/Resort	HK-British/ Singaporean i/	52.6
23.	Motorola Phil., Inc.	American	50.7
24.	Kimberly Clark Phil., Inc.	American	48.7
25.	Kepphil Shipyard, Inc.	Singaporean	49.5
26.	Uniden Phils., Inc.	Japanese	46.6
27.	Del Monte Phils., Inc.	Panamanian j/	44.5
28.	Texas Instruments Phils., Inc.	American	35.2
29.	Hong Kong and Shanghai Bank g/	British	34.8
30.	California Manufacturing Co.	American	32.9

a/ Refers to total book value of foreign and local equity as of 1997, unless otherwise specified. Original values expressed in pesos, and converted to US$ equivalents using 1997's closing rate of 40.12 pesos/US$.
b/ Saudi Aramco through Dutch subsidiary
c/ American Insurance Group
d/ Singapore Telecom
e/ TL Ltd.
f/ Cable and Wireless World
g/ Capital account per unaudited March 1999 statements published in leading business daily (Business World);
peso value converted to US$ at March 1999 closing rate of 38.82 pesos/US$
h/ Castle and Cooke
i/ Jellico Ltd./Sligo Holdings (HK-British); Shangri-la Hotel of Singapore
j/ Central American Resources

Source of Basic Data: “Philippines Top 5000” (SEC publication)

XVI. T. Host Country Contact Information for Investment-Related Inquiries

Interested investors may contact the following government offices/persons for investment-related inquiries and assistance:

Gov. Thomas Aquino a/
Acting Undersecretary for Industry and Investments
Department of Trade and Industry
5/F Industry and Investment Building
385 Sen. Gil Puyat Ave., Makati City
Tel: (632) 895-3638
Fax: (632) 895-3512

E-mail: useciig@dti.gov.ph

Ms. Marita M. Jimenez
Executive Director
Investment Promotions Group
Board of Investments
G/F Industry and Investments Bldg.
385 Sen. Gil Puyat Ave., Makati City
Tel: (632) 895-3910
Fax: (632) 895-3822
E-mail: boipg@mnl.sequel.net

Mr. Dennis R. Miralles
Director
One-Stop Action Center for Investments
Investment Assistance Department
Board of Investments
G/F Industry and Investments Bldg.
385 Sen. Gil Puyat Ave., Makati City
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Chief – American Desk
Investments Marketing Department
Board of Investments
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385 Sen. Gil Puyat Ave., Makati City
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Ms. Lilia B. de Lima
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Mr. Rogelio L. Singson
Chairman and President
Bases Conversion Development Authority
Officer’s Clubhouse
Gozar cor. Lucas St.
Villamor Airbase, Pasay City
Tel: (632) 551-5122
(532) 551-1817
Fax: (632) 510-0414 to 15

a/ Governor, Philippine Board of Investments

VIII.TRADE AND PROJECT FINANCING

A. Description of the Banking System

The banking sector -- comprised of 53 commercial banks, more than 100 thrift banks and over 800 rural banks -- makes up about than 92% of the Philippine financial system’s total assets. Although fewer in number, commercial banks dominate the banking sector, accounting for more than 90% of total banking system resources. The commercial banks currently operating in the Philippines include three government-controlled banks that specialize in agricultural and industrial development loans. Seventeen of the commercial banks in the Philippines are foreign-controlled (i.e., 14 foreign branch banks and 3 majority foreign-owned domestically incorporated subsidiaries). There are also 15 offshore banking units (OBUs) in the country (4 of which are U.S.-owned), as well as 26 foreign bank representative offices (5 of which are U.S. banks).

Latest available statistics place total assets of commercial banks at pesos 2,475 billion ($65 billion) as of April 1999, with the five largest banks accounting collectively for about 39% of this amount.

The Asian economic crisis exposed weaknesses in bank supervision and oversight, including the need to move to a more comprehensive risk-based framework, improve disclosure requirements, and strengthen offsite supervision and monitoring. While under stress due to the effects of the Asian financial crisis, the banking system remains generally sound and well-capitalized, benefiting from accelerated efforts in the 1990s to reform capital markets, improve bank supervision, and strengthen prudential regulations.

Since 1997, the Bangko Sentral (Central Bank) has implemented policies to require a two percent general loan loss provision; redefine the definition of past-due loans; mandate staggered hikes in banks' minimum capitalization requirements; beef-up disclosure requirements; and promote mergers and consolidation.

The banking system's past-due ratio has doubled from 4% as of June 1997 to 13.6% as of March 1999, but the ratio still compares favorably with harder-hit neighboring economies. Partly because of the Bangko Sentral's capital build-up requirements, the sector's overall capital adequacy ratio increased from 16% as of end-1997 to 17.9% as of March 1999, which has helped the Philippine banking sector avoid systemic risk. The largest component (22%) of outstanding loans is to the manufacturing sector. Exposure to the real estate sector has been estimated at 13% of outstanding loans. The Bangko Sentral estimates that 76% of the $7.9 billion of outstanding loans from banks' foreign currency deposit units as of end-1998 are hedged (i.e., 41% to exporters, and 27% to oil companies/utilities).

The Philippines has not yet adopted Bank of International Settlements (BIS) standards, which will require legislative amendments to the country's General Banking Act (GBA). The proposed GBA amendments are currently undergoing congressional deliberation. Meanwhile, BIS ratios of commercial banks are internally being monitored on a parallel basis and, according to Bangko Sentral officials, Philippine banks are largely in compliance.

Special bank examinations require the affirmative vote of at least 5 of the 7 members of the Philippine Monetary Board (the Bangko Sentral's policy making body). Amendments to the BSP charter have been proposed in the legislature which, if passed, would allow the Bangko Sentral to conduct regular examinations at least once a year, as well as allow examiners to conduct special examinations at any time upon the approval of the Bangko Sentral governor or his deputy. In addition to its own annual examinations, the Bangko Sentral ng Pilipinas requires that bank financial statements be audited by local external auditors, most of which are affiliated with international auditors. External auditors are required to bring to the attention of the Bangko Sentral any adverse audit findings.

The deposit insurance scheme -- administered by the Philippine

Deposit Insurance Corporation (PDIC) – is patterned after the U.S. FDIC. The PDIC has a permanent insurance fund of three billion pesos ($79 million), augmented by premiums paid by member banks (currently 1/5 of one percent per annum of the deposit base). Deposit insurance is up to 100,000 pesos ($2,600) per depositor per bank for all types of deposits.

B. Foreign Exchange Controls Affecting Trade

The Bangko Sentral (Central Bank) liberalized the acceptable modes of payment for exports and imports under a succession of new regulations issued since 1992, provided that the commodities exported/imported are not classified as "prohibited" (i.e., banned outright) or "regulated" (which requires clearance from the appropriate government agencies -- see Chapter VI – Sec. I). For monitoring purposes, the Bangko Sentral requires pre-registration of imports under Documents Against Acceptance (D/A) and Open Account (O/A) arrangements for an importer to be able to obtain foreign exchange from the banking system for payment.

C. General Availability of Financing

Domestic Capital: Most corporate clients raise capital by borrowing directly from banks or trust funds. Most commercial bank loans are short-term, subject to renewal/rollover. Long-term loans at relatively more attractive rates are readily accessible generally to more established borrowers with proven track records. Venture-capital corporations and government banks cater more readily to small-and-medium enterprises (SMEs), but their resources are limited. Current laws require banks to make a certain percentage of loans for agricultural purposes and for SMEs. Keener competition posed by the liberalization of the banking sector has begun to improve access to banking services, and many local banks are looking at aggressively targeting the middle income market. However, until the dust settles from the Asian financial turmoil, banks are likely to be cautious, focusing on improving the quality of their respective loan portfolios rather than on aggressive credit expansion.

The Philippine securities market is growing, but remains relatively small and underdeveloped. Longer-term private commercial paper and bond markets are not yet major sources of capital, although the government has been making some progress in introducing longer-term treasury issues. At its highest point (i.e., January 1997) before Asian crisis-related uncertainties hit, market capitalization of publicly listed companies had grown to the equivalent of about $89 billion, or almost sixfold the end-1992 level in peso terms. However, the equities market is thin (only some 220 listed firms), highly concentrated and prone to volatility. In 1998, the ten most actively traded companies in the Philippine Stock Exchange accounted for 50% and 65% of volume and value turnover, respectively.

Foreign Loans: While regulations have substantially eased, the Bangko Sentral ng Pilipinas continues to monitor and/or regulate foreign borrowing to ensure that they can be serviced with due regard for the economy's overall debt servicing capacity. Certain loans of the private sector must be approved by the Bangko Sentral regardless of maturity, the source of foreign exchange for debt service and/or any other consideration. These are: private sector debt guaranteed by the public sector, or covered by forex guarantees issued by local banks; loans granted by foreign currency deposit units funded from or collateralized by offshore loans or deposits; and loans with maturities of more than one year obtained by private banks and financial institutions for relending. Private sector foreign loans outside these categories which will not be serviced with foreign exchange purchased from the banking system do not require prior Bangko Sentral approval. Subject to certain conditions (among others the disposition of the loan proceeds, type of borrower and/or source of credit), certain foreign loans which will be serviced using foreign exchange purchased from the banking system (such as most short-term loans and private sector loans extended by foreign companies to their local subsidiaries) also need not be approved by the Bangko Sentral, but should be registered for access to debt service-related foreign exchange.

In approving foreign currency borrowing, the Bangko Sentral gives priority to export-oriented projects, to projects listed under the Government's Investment Priorities Plan and Medium-Term Public Investment Program, and other promoted sectors.

D. How To Finance Exports/Methods of Payment

The importance of setting competitive payment terms cannot be overemphasized. The key is to offer Philippine buyers payment terms that reflect the real risk in the transaction, and that strike a proper balance between not getting paid and not making the sale at all.

Export payment terms vary from the most costly for the buyer, which is cash in advance, to the riskiest of all payment terms for the U.S. exporter which is open account. In the Philippines, commercial banks may sell foreign exchange to service payments for imports under the following arrangement without prior Central Bank approval: direct remittance, letters of credit, documents against acceptance (D/A), open account (O/A), and documents against payment (D/P).

Other important arrangements not involving payments using foreign exchange are also allowed without prior Central Bank approval. These include self-funded (no-dollar) imports which are funded from importer's own foreign currency deposit accounts or those sent by suppliers abroad for which no payment in foreign exchange will be made; and importations on consignment basis. These refer to importations by export producers of raw materials and accessories/supplies from foreign suppliers abroad for the manufacture or processing of products destined for export to said foreign suppliers/buyers.

E. Types of Available Export Financing and Insurance

Obtaining attractive, competitive financing very frequently is the key to concluding business deals in the Philippines. Because the Asia financial crisis has forced the Government to raise interest rates, supplier financing and trade financing have become more important than ever. Government and private importers of goods and services often buy a financing package rather than the best quality or most appropriate items.

Limited financing is available from foreign currency deposit units in local commercial banks, but generally long-term dollar financing is not easy to find in the Philippines. Companies generally rely on Eximbank financing to purchase the U.S. equipment they need. FCS and Exim will cooperate to disseminate information on Eximbank programs, especially in light of the current unavailability of short-term credit and relatively high peso interest rates. FCS Manila will also work with any U.S. bank in generating interest for Exim's various programs.

Exim also offers matching credit to help U.S. exporters compete against other countries' mixed credit packages. Exim's current exposure in the Philippines is about $2.3 billion. U.S. exporters should take advantage of various Exim loan, loan guarantee and export credit insurance programs. The Embassy's Economic and Commercial sections serve as Eximbank's liaisons in the Philippines.

The Asian Development Bank (ADB), the World Bank, the U.S. Trade & Development Agency (TDA) and Overseas Private Investment Corporation (OPIC) all are active in the Philippines and provide funding for a wide range of projects.

The U.S. Department of Agriculture (USDA) has allocated $100 million in export credit guarantees for the Philippines for purchases of agricultural products under the GSM-102 program. This program guarantees payments due from foreign banks. The loan period is up to three years and the guarantee covers 98% of principal due from foreign banks. The program covers a wide range of agricultural commodities. USDA has also allocated $2 million in intermediate export credit guarantees for sales of U.S. breeder livestock. To assist private exporters, USDA also provides supplier credit guarantees which cover 50% of the value of U.S. exports of a wide range of products, including higher value products. The Philippines is eligible for a $40 million-facility guarantee program for Southeast Asia to stimulate the creation or improvement of facilities that will benefit U.S. agricultural exports.

OPIC finances and insures a significant number of clients in the Philippines. The U.S. Embassy represents OPIC's interests and provides comments and concurrence on the various OPIC projects. Companies seeking medium-or long-term project financing, political risk insurance, or both, should contact OPIC for further information on eligibility and registration procedures.

U.S. firms may compete on contracts receiving Japanese Overseas Economic Cooperation Fund (OECF) financing. Major infrastructure projects such as Department of Transportation and Communications' (DOTC) LRT II, Air Transportation Office's (ATO) Air Navigation Facilities Phase III, Department of Environment and Natural Resources' (DENR) Rural Water Supply and Sanitation Project, Subic Freeport Environment Management Project, Philippine Port Authority's Domestic Shipping Modernization Project, Batangas Port Development Project and Air Transportation Office's Selected Airports, are financed through the OECF Yen Loan Package.

Although these loans are untied, it is no secret that Japanese suppliers enjoy a competitive advantage. Thus, it is best for U.S. firms to team up with Japanese-based consortium to win contracts.

XVII. Availability of Project Financing

The Philippines has a good record of successful project financing, especially in the power sector. The Philippines has a relatively sound policy and legal framework, essential for contract enforcement; investor confidence and capital flows; and the existence of potential institutional investor resources. It is relatively easy to acquire information necessary to set project finance "machinery" in motion.

Future project financing should address Philippine infrastructure needs in the water, transportation and telecommunications areas, as well as in power.

In addition to commercial sources of project finance, possible bilateral and multilateral sources of funding include the Asian Development Bank (ADB), the World Bank, the United States Overseas Private Investment Corporation (OPIC) and the U.S. Eximbank. All of these institutions have active portfolios in the Philippines, usually disbursed through accredited government agencies and financial institutions. The U.S. Eximbank is placing new emphasis and resources on project financing for major infrastructure investments in countries such as the Philippines.

Though 1998 and 1999 have witnessed an improvement in the overall economy, peso-denominated local credit continues to be tight. Bangko Sentral ng Pilipinas (Central Bank of the Philippines) lending rates have been falling since early 1999 in an effort to stimulate local banks to begin lending again.

Eximbank has completed more project finance deals in the Philippines as of 1998 than in any other country.

The Asian Development Bank (ADB) is headquartered in Manila, Philippines. The U.S. Department of Commerce maintains a Commercial Liaison Office in Manila which offers assistance to American companies wishing to take advantage of lucrative commercial opportunities from ADB projects. In 1998, American companies won $644 million worth of contracts under ADB projects for a wide range of equipment and services. The ADB is active in all sectors, but is focusing increasingly on social infrastructure projects such as education, health, housing and environmental projects.

To carry out its mission of developmental aid to member countries, ADB lends to 33 currently active borrowers in the region including South Asia, the Pacific Islands and 4 countries in Central Asia (Kyrgyz Republic, Kazakhstan, Uzbekistan and Tajikistan). Total ADB lending in 1998 reached $5.9 billion. The largest borrowers were Indonesia (30%), the PRC (20%), and the Philippines (14%).

The Philippines' borrowings in 1998 amounted to $855 million for eight loans. This borrowing is unusually large for any given year and is due mainly to two very large loans approved during the year: the Power Restructuring Program ($300 million) and the Metro Manila Air Quality Program ($296 million). The rest of the loans focused on agrarian reform, irrigation, education, child development and municipal development. The ADB also provided $6.7 million in 1998 to the Philippines in technical assistance grants for education, health, the environment, and urban planning.

For 1999, ADB plans to process $410 million in loans for the Philippines. This includes loans for Grains Development ($80 million); Capital Market Development ($100 m); LGU Infrastructure Development ($25 m); Leyte-Mindanao Electric Power Interconnection ($80 m); Mindanao Basic Education ($50 m); and Mindanao Urban Planning ($75 m). The Bank is also slated to provide $9.6 million in technical assistance grants in 1999 mainly for social infrastructure and agriculture projects.

There are ADB resident missions in Bangladesh, Cambodia, India, Indonesia, Nepal, Pakistan, Sri Lanka, Vietnam, and Vanuatu. The Bank also maintains representative offices in Washington, D.C., Tokyo and Frankfurt.

The U.S. Commercial Liaison Office works with the Commercial Service posts in the region to assist its clients. The Liaison Office has a full-time Commercial/ Environmental Specialist funded by the US-Asia Environmental Partnership (US-AEP) who specifically assists American environmental firms in pursuing ADB commercial opportunities. Interested parties should contact: Denny Barnes, Director, FCS/ADB, tel: (632) 804-0460/0353, fax: (632) 804-0357.

E-mail: Denny.Barnes@mail.doc.gov or csadb@pacific.net.ph. For detailed information on ADB projects, the ADB's website is: <www.adb.org>.

The U.S. Trade and Development Agency (TDA) funds feasibility studies for large infrastructure projects in both the public and private sectors. Private investors often use TDA's funds, which are in the form of grants, to assist in the preparation of studies required by the various project financing institutions. TDA supports studies on those projects that will offer significant opportunities for U.S. exports of goods and services during project construction. TDA supports studies for projects in the energy, telecommunications, transportation, water, and environmental sectors.

TDA opened an Asia-Pacific Regional Office in June 1997. Co-located with the Foreign Commercial Service in Manila, the office facilitates development of feasibility study proposals for TDA consideration and helps in the overall management and development of the TDA program in the region. The Commercial Service in Manila and TDA work hand-in-hand to develop project opportunities. As a result the Philippines has become the most active market for TDA activities in Southeast Asia. The following projects are a snapshot of current TDA activities in the Philippines:

- Cebu Light Rail Feasibility Study
- Manila Port Freight Rail Project Feasibility Study
- Land Registration Authority Land Titling Computerization Technical Assistance
- Land Transportation Office Motor Vehicle Inspection System Technical Assistance
- Department of Foreign Affairs Machine Readable Passport Technical Assistance
- Manila Industrial Air Emissions Monitoring Study Phase II
- Feasibility Studies for the Puerto Princesa and Metro Kidapawan BOT Water Projects

The TDA Regional Office can be reached through USCS Manila or directly at (632) 804-0381 or 804-0363.

G. Types of Projects Receiving Financing Support

Availability of financing for projects has been limited to a few private sector manufacturing investments and public sector, bilaterally financed projects in 1998 and 1999 due to the effects of the Asian financial crisis. Both public and private project financing agencies have continued to demand accountability and strong local commitment to the projects which they will finance and, given the continuing debt burdens of both local financiers and the Philippine government, the amount of available financing for projects has continued to be limited. Japanese ODA financing, in particular OECF and the supplementary "Obuchi" funds, have supplanted many sources of other bilateral assistance for various types of projects, in particular in the transportation sector. The primary sectors which continue to receive financing support for major projects include Information Technology (private capital, some multilateral funds such as World Bank), telecommunications (private capital, in particular equity investments such as the take over of PLDT earlier in the year), and manufacturing (some limited new investments in production facilities such as the new Ford Motor plant and investments in electronics manufacturing facilities). Other sectors such as water supply and treatment have active participation by interested investors but new projects have yet to be financially closed.

Private investor driven infrastructure projects, most notably the BOT project scheme developed several years ago by the Philippine government, have been the hardest hit by the credit problems resulting from the financial crisis. No major infrastructure project financially closed over the last year. Several, such as the Land Transportation Office Information Technology Computerization project, has reached the final stages of negotiations. Several private tollway projects continue to move forward but not without the need to restructure portions of the project financing package (Skyway project) or having to delay construction to continue financing negotiations (North Luzon expressway, subsequent phases of the Skyway, South Luzon Expressway). Particularly hard hit have been heavy infrastructure such as rail transportation projects which has seen private, unsolicited proposals stall or consortia fall apart due to the inability to put together a viable financing package (MCX, Airport LRT, Line 2 and Line 4 LRT projects, North Rail). While proponents continue to work on finalizing these project or repackaging them, the high project costs and perceived risks associated with these projects make their implementation on a purely private basis – without any substantial government guarantees – extremely unlikely. This said, one apparent success seems to be the Manila International Terminal 3 project, which recently has been able to close some of the initial financing commitments and apparently cleared the way for the private consortium to begin the final design and construction process.

The perceived high risk and cost, particularly in terms of time, of much of the BOT program in the Philippines has led the Estrada administration to consider various alternative types of public-private partnerships. Most notably, the administration has turned to Japanese bilateral aid to finance the civil works components of projects in conjunction with private financing for operational aspects. This is the case on a number of proposed mass transit projects. The government is also considering some forms of limited guarantees to support private water supply projects that would be mostly privately financed. Finally, in order to catalyze private investments for BOT projects, the government is working with the Asian Development Bank and other donors to develop a project development fund to be used by Local Government Units for preparing investor projects to be awarded through a bidding process.

Bilateral donor financing, always a major source of financing for projects in the Philippines, continues to be strong. Much of this financing is dedicated to the transportation sector, including financing for such projects as modernization of the Philippine Post Service, financing for patrol vessels for the Coast Guard, transit project financing as noted above, and financing support for various modernization projects for air traffic control and airport infrastructure. In most cases, this financing limits the supplier choices to companies from the donor countries. However, while there is currently a long list of donor financed projects in the pipeline, the inability or reluctance of the current government to offer full sovereign guarantees for many proposed projects resulted in very few of these projects actually being closed and moving forward over the last year. In addition, the local banking and finance community has been very hesitant about extending loans to borrowers unless they are among the very top of the Philippine business community. This lack of local, Philippine denominated debt has significantly limited the financing options for many potential project sponsors and has resulted in the slow pace of any local investment driven recovery.

In short, the Philippines market has great potential for project financing and has a substantial policy structure in place, complete with tax and other investment incentives, which continues to draw substantial investor interest. However, the shock of the Asian crisis stalled financing for many proposed major projects and caused the Philippine government to seek higher amounts of bilateral and multilateral financing. While some private investor projects continue to move forward, the pace of investment is still slow due to a lack of local financing and the limited ability of the Philippine government to provide substantial guarantees to project sponsors.

H. List of Banks with Correspondent U.S. Banking Arrangements

A number of Philippine commercial banks have branches in the United States. Reflecting a long history of economic and political ties, all commercial banks in the Philippines have correspondent U.S. banking relationships too numerous to list. The best way for a firm to determine whether its U.S. bank has a correspondent bank in the Philippines is to check with the U.S. bank. (Appendix E includes a list of commercial banks in the Philippines.)

IX. BUSINESS TRAVEL

A. Business Customs

The Philippine business environment is highly personalized: business matters are always best dealt with on a face-to-face basis with a warm and pleasant atmosphere. Where the Western businessperson thinks that time is gold and wants to get to the point immediately, the Filipino likes to be indirect, talk about mutual friends and family, exchange pleasantries, and joke. Only after establishing the proper atmosphere will people negotiate. No matter what the final result, the discussions should always end cheerfully. Americans adopting to this cultural practice will have an advantage. To a Filipino, cultivating a friend, establishing a valuable contact and developing personal rapport are what make business wheels turn.

The U.S. businessperson should avoid grappling with the bureaucracy. Customs, for instance, requires dozens of signatures to clear air cargo. The Filipino approach to the problem is to use staff capable of moving through the bureaucracy. Whether getting a driver's license or registering a car, the U.S. business executive will benefit by delegating the chore to that person paid to negotiate through a sea of desks, with a smile and the knack of delivering token gifts at Christmas.

Philippine business has its own etiquette. For example, they address people by their titles (e.g. Architect Cruz, Attorney Jose) although the professional might request an informal approach. Business lunches and dinners are usually arranged personally over the phone and confirmed by the secretary. The person who invites pays. A guest does not order the most expensive items on the menu, unless the host insists otherwise. It is also customary to have a drink before sitting at a dining table. A pleasant atmosphere and a minimum of formality is the tone. Business is not usually discussed until after establishing a convivial tone, usually after soup. Dress is according to venue. It is never wrong to wear the national dress, the "barong Tagalog," a lightweight, long-sleeved shirt worn without a tie, to business and social functions.

Filipinos tend to be lax in replying to RSVPs. Telephone follow-ups are best, about three days before. Party hosts usually have staff track down guests for a confirmation reply. In a formal occasion, seating is arranged. There is usually a head table for the VIPs. A guest speaker is often the highlight of the dinner. Light entertainment is not unusual. Important guests accept requests to sing. Americans with vocal talents can score in the Philippines.

Observing office etiquette is also important. When reprimanding employees, take them aside and do it privately. Be as gentle as possible and always make it a point to end the meeting with some show of personal concern for his family to make him feel he is still part of the team and that the criticism is not personal. Christmas is also a time to show appreciation to people with whom you have regular dealings with, e.g., the security guard, doorman, messenger, as well as good customers and clients, through token gifts. Gifts range from baskets of goodies to company giveaways to plain calendars.

Office hours for business firms and the Philippine Government normally are from 8:00 a.m. to 5:00 p.m. It is best to attempt to accomplish business objectives in midmorning or late afternoon. Many business deals are completed informally during meals, entertainment, or over a round of golf. Offices are generally closed on Saturdays and Sundays.

Summer-weight clothing normally worn in temperate zones is suitable for the Philippines. It is acceptable for businessmen to conduct calls in short or long-sleeved shirt and ties without a coat. Either a two-piece suit or the native "barong tagalog" (a lightweight, long-sleeved shirt worn without a tie) are acceptable, ordinary business attire. Light suits and dresses are appropriate for women. Laundry and dry-cleaning facilities are available.

B. Travel Advisory and Visas

Up-to-date travel advisories are available from the State Department's Philippine desk officer in Washington tel.: (202) 647-2301; fax: (202) 736-4559; or via the World Wide Web at http://www.state.gov. Americans who wish to enter the Philippines for business purposes can enter and remain in the country for specific time periods as non-immigrants under provisions of Philippine Immigration Law.

General Provisions

1. Persons may come and stay in the Philippine for business, pleasure, or health reasons without a visa for not more than 21 days and are exempt from payment of immigration fees and charges. This may be extended for another 38 days through a visa waiver. Thereafter, they may apply for the regular monthly extensions for a maximum stay of one year and fifty-nine days.

2. Temporary visitors who have been allowed to stay in the country for more than six (6) months may apply for Alien Certificate of Registration (ACR) and Certificate of Residence as Temporary Visitor (CRTV) with the main office of the Bureau of Immigration (BI) or with its subports which have territorial jurisdiction over these aliens.

Special Provisions

1. SPECIAL INVESTOR'S RESIDENT VISA (SIRV)- May be issued to an alien, his spouse, and any unmarried children under 21 years of age, if such persons invest USD75,000 or the equivalent in other foreign currency. Such persons can reside in the Philippines while the investment remains.

   Holders of SIRV’s must secure an ACR (Alien Certificate of Registration), CRTV (Certificate of Residence/Temporary Visitor), Emigration Clearance Certificate (ECC) and Special Return Certificate (SRC) and pay all required alien and immigration fees.

2. Citizens of the U.S., Japan, & Germany (which have treaties of commerce, trade, amity and/or navigation with the Philippines) may apply for an INTERNATIONAL TREATY TRADER OR INTERNATIONAL TREATY INVESTOR VISA or EMPLOYEE OF AN INTERNATIONAL TRADER OR INVESTOR VISA provided they have substantial investments in the Philippines or they conduct substantial trade with the Philippines or its nationals. The amount of investment of each treaty trader should not be less than 300,000.00 pesos.

3. Foreign business people may enter under PREARRANGED EMPLOYMENT STATUS. Foreign technicians, however, can enter on this basis only if they possess skills not available in the Philippines. Prearranged employment status entitles the visitor to stay for a period of one year. The prearranged employment visa is normally granted co-terminus with the Alien Employment Permit (AEP) issued by the Department of Labor and Employment. The stay may be renewed annually with the Bureau of Immigration (BI).

4. An alien who is admitted as a nonimmigrant can apply for permanent resident status without departing the Philippines.

C. Holidays

All offices close during the following public holidays: January 1, New Year's Day; April 9, Bataan & Corregidor Day and Heroism Day; Easter Holidays, which include Maundy Thursday and Good Friday; May 1, Labor Day; June 12, Independence Day; August 27, National Heroes Day; November 1, All Saints' Day; November 30, Bonifacio Day; December 25, Christmas Day; and December 30, Rizal Day. June

24, Manila Day, is observed only in the City of Manila while August 19, Quezon Day, is observed only in Quezon City. In addition, special public holidays such as Election Day and EDSA Revolution Day, may be declared by the President and are observed nationwide.

The U.S. Mission in the Philippines observes the following U.S. public holidays: New Year's Day, Martin Luther King Day, President's Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.
XVIII.

XIX. D. Work Week

XX.

XXI. Work week: 48-hour work week for many private entities and a 40-hour work week for all government offices.

E. Business Infrastructure

The Philippine climate is tropical. December, January and February are generally considered the most pleasant months. The hot season or Philippine summer is from March to June. The rainy season, punctuated by typhoons, lasts from June until November.

There are two official languages in the Philippines: English and Pilipino. English is widely spoken and is taught in the Philippine school system, as well as the usual language of commerce. Pilipino, based on Tagalog, is the national language, and is also taught in the school system. Most Filipinos use Pilipino or a regional dialect as their medium of normal conversation. Relatively few Filipinos speak or use Spanish.

There is a large manpower pool of over 30 million Filipinos ranging in age from 15 years and above. The Philippine Government promotes Filipinos as among the most productive, creative, and easily trainable people in Asia. They are also among the most educated, with a literacy rate of 85%.

In the Philippines, one can generally travel to most parts of the country, although the quality of the road network varies tremendously. Distances that might be covered quickly in the United States can take much longer in the Philippines, due to poor road quality and congestion. An extensive road network links practically the whole of the archipelago. The country has 89 airports but only a few meet U.S. standards. Air services to destinations other than the largest cities can be subject to delays.

Use of accredited hotel taxis with the assistance of the hotel are more dependable than taxis hailed on the street. Hotel taxis charge a flat rate for travel to specified locations.

Car rentals are also available with or without a driver although cost is much higher than in U.S. standards. U.S. franchisees such as Avis, Hertz, Budget operate in the Philippines and accept international driver's license up to 60 days.

Visitors to the Philippines have a wide choice of hotels and apartments for short stays. There are 17 De Luxe hotels operating in Metro Manila. These include the Westin Philippine Plaza, Traders Hotel, Hyatt Regency Manila, Holiday Inn Manila Pavilion, Hotel Sofitel Grand Boulevard, Manila Diamond Hotel, The Manila Hotel, Pan Pacific Hotel and The Heritage which are all located in the Bay area. In Makati City, the business district, one will find the Hotel Intercontinental, the Manila Peninsula, Mandarin Oriental, The Dusit Hotel Nikko, Shangrila Manila and the New World Hotel. In the Ortigas area are the EDSA Shangrila Hotel, Richmonde Hotel and Galleria Suites Condotel. An additional 64 accredited hotels are outside Metro Manila -- in Baguio City, Tagaytay City, Cebu, Davao, La Union, Subic, Cavite, Angeles City, etc. All hotel rates are quoted in Dollars, exclusive of a 10% service charge and 10% expanded value-added tax, plus a 3.5% government tax.

For expatriates staying for longer periods, well-appointed houses, townhomes and condominium units are becoming expensive and increasingly harder to locate.

The Philippines has the largest number of educational institutions in Asia. It has several international schools and a number of private schools for American, British, German, French, and Japanese children in the primary and secondary levels.

For personal needs, supermarkets, malls and smaller shopping centers, fashion boutiques, and a variety of shops are in abundance. There are several modern and well-equipped hospitals and medical facilities in Metro Manila. Doctors with U.S.

experience and other medical professionals are abundant. Medical fees are reasonable and pharmaceuticals of all types are available.

Sanitary conditions in the Philippines are not on par with those in the U.S. Uncooked food and unboiled water should be avoided. The air in Metro Manila is heavily polluted. There are several modern and well-equipped hospitals and medical facilities in Metro Manila, many with U.S.-trained doctors. Medical fees are reasonable and pharmaceuticals of all types are available.

For entertainment, there is a wide choice of movie houses, theaters, and social clubs. Personal services such as fitness clubs, beauty salons, and others are easily obtainable. Tailors abound, and laundry and dry-cleaning facilities are available. There are numerous restaurants offering a variety of cuisines. Business entertainment normally takes place in restaurants. Similarly, sporting facilities such as golf courses and scuba diving sites are abundant.

The Philippine Postal Corporation (Philpost) provides for surface, airmail, and Express Mail Service (EMS), as well as domestic regular, priority, and express mail, postal money order service, and registered and special delivery mail. Airmail letters between the Philippines and the U.S. usually arrive in seven to ten days. The current airmail postage rate for letters to the U.S. starts at Pesos15 (for letters up to 20 grams in weight) and Pesos 59 (letters weighing between 21-100 grams in weight). There is an additional Pesos 8 fee for letters sent by registered mail. Express mail service is available. Courier services such as DHL, TNT Skypack, Federal Express, and UPS are best to transmit important documents to and from the Philippines.

There is a large manpower pool of over 26 million Filipinos ranging in age from 15 years and above. Filipinos are among the most productive, creative, and easily trainable people in Asia. They are also among the most educated, with a literacy rate of 85%.

F. Temporary Entry of Goods

The Philippines is not a signatory to the International Carnet Convention. The Philippine Bureau of Customs requires the imposition of a re-export bond for exhibit materials, articles brought into the Philippines for repair, processing or reconditioning, software, and laptop computers (in commercial quantity). A re-export bond (amounting to one and one-half times the ascertained duties), taxes and other charges are paid to the Bureau of Customs. A re-export bond ensures that the items will be brought back by the travelers when they leave the country. A business person hand-carrying a personal laptop computer, however, does not have to post a re-export bond upon establishing that the item is part of personal effects and is not new.

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Tel.: (202) 512-1800; Fax: (202) 512-2250. Business travelers to the Philippines seeking appointments with U.S. Embassy Manila officials should contact the commercial section in advance. The commercial section can be reached by telephone at (632) 895-3002 or by fax at (632) 895-3028 or e-mail at Office.Manila@mail.doc.gov.

X. ECONOMIC AND TRADE STATISTICS

APPENDIX A: COUNTRY DATA

1998 population (in millions)	73.5
Population growth rate (in %)	2.3

Religions: Roman Catholic (83%), Protestant (5%), Moslem (5%), Aglipay (3%), Iglesia ni Kristo (2%)

Government System: Republic with separation of powers with three branches of government. Executive Branch headed by elected President and Vice President, with various government departments; Congress, comprised of elected House of Representatives and Senate; Judiciary.

Languages: Pilipino is the national language and medium of general communication. English is widely used in business and government. Proficiency levels in English vary; most management-level personnel have good to excellent English skills, while working-level employees sometimes are less fluent in English. Various dialects, dominated by Tagalog (28%), Cebuano (24%), Ilocano (10%), Ilongo (9%) and Bicolano (6%), Lineyte-Samarnon or Waray (4%), and Pampango (3%).

Work week: 48-hour work week

Source: Philippine Yearbook (National Statistics Office)

APPENDIX B: DOMESTIC ECONOMY

($ Millions, except where noted)

	1997 (Actual)	1998 (Projections)	1999 (Projections)
GDP (current prices) a/	82,241	65,111	75,773
Real GDP growth rate (%)	5.2	(0.5)	1.8-2.5
GDP per capita ($/person) a/	1,145	886	1,005
Government spending as percent of GDP b/	19.4	19.2	19.8
Inflation (Year-on-Year, %)	5.9	9.7	8.0-9.0
Inflation (%) 1988 base year	5.1	8.0-8.5	6.5-7.5
Unemployment (%)	8.7	10.1	9.5-10.0
Foreign exchange reserves	8,768	10,806	14,700
Ave. forex rate for $1.00	29.47	40.89	38.50-39.50
Debt service ratio (in %; ratio of principal and interest payments to export income) c/	11.6	11.7	13.0-13.5
U.S. govt. economic assistance d/	58.3	58.1	53.6

a/ 1999 projections are midpoints of low and high ends of a range.
b/ National Government's cash disbursements as percent of GDP.
c/ Export income refers to sum of goods and services exports. Figure for 1999 based on preliminary, unofficial government estimate.
d/ Figures are for U.S. fiscal year (October-September). USAID figure for 1999 is congressionally approved level.

APPENDIX C: MERCHANDISE TRADE

	1997	1998	1999
		(Actual)	(Projections)
Total country exports a/	25,228	29,496	33,330
Total country imports a/	36,355 c/	29,524 d/	32,476
U.S. Exports b/	7,427	6,736	6,800
U.S. Imports b/	10,436	11,949	11,500

a/ Philippine data
b/ U.S. data
c/ Adjusted by adding $466 million to National Statistics Office (NSO) data to include aircraft imported under capital lease arrangement.
d/ Adjusted to exclude $136 million from NSO data, the value representing aircraft imported under operational lease arrangement.

Sources: Bangko Sentral ng Pilipinas, USDOC

APPENDIX D: INVESTMENT STATISTICS

The Securities and Exchange Commission (SEC), Board of Investment (BOI), National Economic and Development Authority (NEDA), and the Bangko Sentral ng Pilipinas each generate their respective foreign direct investment statistics. Progress on generating a standard set of foreign investment statistics has been slow. For now, Bangko Sentral data (which is readily available in US$ terms and broken down by investor country and by industry) is widely used as a convenient and reasonably reliable indicator of foreign investment stock and foreign investment flows. The data reflects foreign investment remittances registered with the Bangko Sentral or a designated custodian bank. Registration is required to enable foreign exchange sourcing from the domestic banking system for profit remittance and/or capital repatriation purposes. Tables 1 and 2 (foreign direct investment by investor country and by industry) -- indicators of foreign investment stock -- refer to cumulative investments registered with the Bangko Sentral from 1973 to the dates indicated. Tables 3 and 4 provide annual inflows registered with the Bangko Sentral.

XXII. Table 1

Cumulative Foreign Equity Investments

XXIII. By Investor Country a/

XXIV.

	Levels as of			Distribution as of		
	1996	1997	1998	1996	1997	1998
	(US$ Millions)			(In Percent)		
Total Of Which: b/	7,367	8,420	9,305	100.0	100.0	100.0
United States	2,361	2,479	2,722	32.0	29.4	29.3
Japan	1,676	2,007	2,157	22.8	23.8	23.2
Netherlands	804	845	931	10.9	10.0	10.0
Hong Kong	646	706	727	8.8	8.4	7.8
United Kingdom	435	453	465	5.9	5.4	5.0
Brit. V. Islands	153	330	383	2.1	3.9	4.1
Singapore	203	270	322	2.8	3.2	3.5
Germany	100	173	215	1.4	2.1	2.3
Taiwan	97	117	168	1.3	1.4	1.8
South Korea	112	130	142	1.5	1.5	1.5
Switzerland	116	125	129	1.3	1.4	1.4
Australia	99	112	115	1.3	1.3	1.2
Total FDI Stock As pct. of GDP	8.9	10.2	14.3			

a/ Sum of annual foreign investments from 1973 up to the year indicated.
b/ Countries listed above accounted for the largest shares of foreign direct investment stock as of end-1998.

Source: Bangko Sentral ng Pilipinas

XXV. Table 2

Cumulative Foreign Equity Investments
By Industry a/

	Levels as of			Distribution as of		
	1996	1997	1998	1996	1997	1998

	(US$ Millions)			(In Percent)		
Total	7,367	8,420	9,305	100.0	100.0	100.0
Banks/Finan'l	1,152	1,378	1,571	15.6	16.4	16.9
Manufacturing	3,827	3,999	4,245	51.9	47.5	45.6
Chemicals	660	685	728	9.0	8.1	7.8
Food Prod.	403	417	448	5.5	5.0	4.8
Petroleum and Coal	829	829	843	11.3	9.8	9.1
Basic Metal Prod.	291	304	339	4.0	3.6	3.6
Other Metal b/	364	433	487	4.9	5.1	5.2
Transport Eqpt.	286	309	316	3.9	3.7	3.4
Mining	983	986	1,147	13.3	11.7	12.3
Petrol/Gas	804	804	822	10.9	9.5	8.8
Commerce	410	488	650	5.6	5.8	7.0
Wholesale Trade	189	217	343	2.6	2.6	3.7
Real Estate	171	221	259	2.3	2.6	2.8
Services	375	408	420	5.1	4.8	4.5
Public Utilities	486	784	852	6.6	9.3	9.2
Communications	166	459	463	2.3	5.5	5.0
Electricity	62	63	127	0.8	0.7	1.4
Agriculture	56	56	56	0.8	0.7	0.6
Construction	78	321	327	1.1	3.8	3.5
Total FDI Stock As pct. of GDP	8.9	10.2	14.3			

a/ Sum of annual foreign investments from 1973 to the year indicated.
b/ Includes machinery and appliances.

Source: Bangko Sentral ng Pilipinas

XXVI. Table 3

Annual Foreign Equity Investment Flows
By Investor Country a/

(US$ Millions)

	1994	1995	1996	1997	1998

Total					
Of Which: b/	881.9	815.0	1,281.0	1,053.4	884.7
Japan	69.8	244.5	471.5	331.0	150.4
United States	76.0	55.8	292.7	116.7	243.4
Netherlands	547.8 c/	29.8	52.9	41.1	85.2
Hong Kong	48.7	235.6	76.3	59.8	21.3
Brit. V. Islands	2.6	9.8	105.8	176.5	53.8
Singapore	60.2	75.5	19.6	67.4	51.3
United Kingdom	34.4	52.7	62.9	17.6	12.5
Germany	1.8	16.2	27.7	73.2	42.2
Taiwan	2.3	7.4	47.3	19.7	50.9
South Korea	6.1	8.2	29.3	18.2	12.3
Malaysia	0.0	27.2	17.9	11.2	1.5
Annual FDI Flow					
As pct. of GDP	1.4	1.1	1.5	1.3	1.4

a/ Annual inflow equivalent to the difference of year-to-year stock figures.
b/ Countries listed above posted the largest cumulative inflows for the five-year period 1994-98.
c/ Inflows in 1994 were largely from a Dutch subsidiary of Saudi Aramco for the purchase of 40% of the Philippine Government's share in an oil firm (Petron).

Source: Bangko Sentral ng Pilipinas

Table 4

Annual Foreign Equity Investment Flows
By Industry a/

(US$ Millions)

	1994	1995	1996	1997	1998
Total	881.9	815.0	1,281.0	1,053.4	884.7
Banks/Fin'l	34.2	89.8	513.3	226.3	193.1
Manufacturing	680.9	337.9	477.7	172.2	245.5
Chemicals	31.9	36.2	52.6	25.4	43.1

Food Prod.	12.3	10.5	19.4	14.0	31.3
Petroleum and Coal	561.4 b/	43.7	0.2	0.1	13.3
Basic Metal Prod.	8.3	23.3	62.5	13.2	34.6
Other Metal c/	0.3	139.3	157.5	68.9	53.5
Transport Eqpt.	5.7	53.0	35.7	23.3	6.5
Mining	40.2	41.9	3.2	2.8	161.3
Petrol/Gas	37.0	23.1	0.9	0.0	18.6
Commerce	7.2	94.2	84.8	78.0	161.9
Wholesale Trade	3.1	27.9	31.9	28.6	126.3
Real Estate	4.0	36.2	52.8	49.4	37.8
Services	66.7	30.3	34.6	33.4	12.1
Public Utilities	50.9	218.8	120.6	297.8	67.9
Communications	35.3	16.9	57.7	292.5	3.7
Electricity	0.0	0.0	62.2	0.6	63.7
Agriculture	0.1	0.2	1.4	0.1	0.3
Construction	1.7	2.1	45.4	242.8	6.1
Annual FDI Flow As pct. of GDP	1.4	1.1	1.5	1.3	1.4

a/ Annual flows were computed by subtracting year-to-year stock figures.
b/ Over US$ 500 million of inflows in 1994 were from a Dutch subsidiary of Saudi Aramco for the purchase of 40% of the Philippine Government's share in an oil firm (Petron).
c/ Includes machinery, appliances.

Source: Bangko Sentral ng Pilipinas

XI. U.S. AND COUNTRY CONTACTS

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Commerce Liaison Office (CLO)
Eric Weaver, Director, Commerce Liaison Officer
Janice Mazur, Procurement Liaison Officer
Office of the U.S. Executive Director
World Bank
1818 H. Street, NW, Washington, D.C. 20433
Phone : (202) 458-0120; 458-0118
Fax : (202) 477-2967

Export - Import Bank of the United States
Bert Lomax, Business Development Officer-Asia
811 Vermont Ave., N.W.,
Washington, D.C. 20571
Phone : (202) 565-3917
Fax : (202) 565-3931
Email : bert.lomax@exim.gov

The Multilateral Development Bank Office
US&FCS, DOC
Janet Thomas, Director
The USA Trade Center, U.S. Department of Commerce
Ronald Reagan Bldg., MS/MDBO Washington, D.C. 20230
Phone : (202) 482-3399
Fax : (202) 482-3914

Overseas Private Investment Corporation (OPIC)
James Brache, Regional Manager
1100 New York Ave., N.W., Washington, D.C. 20527
Phone : (202) 336-8585
Fax : (202) 408-5142

TPCC - The Trade Information Center
International Trade Administration
U.S. Department of Commerce
1401 Constitution Ave., N.W.
Ronald Reagan Building
R-TIC
Washington, D.C.
Phone: 1-800-USA-TRADE
Fax: (202) 482-4473
Internet: http://www.ita.doc.gov/tic

U.S. Department of State
Office of the Coordinator for Business Affairs
E/CBA
2201 C Street, NW
Washington, D.C. 20250
Phone : (202) 647-1625
Fax : (202) 647-3953

U.S. Department of Commerce (USDOC)
Jean Kelly, Philippine Desk Officer
Office of Korea and Southeast Asia
Room 2324
Washington, D.C. 20230
Phone : (202) 482-3448
Fax : (202) 482-3316

U.S. Department of Agriculture (USDA)
Maria Nemeth-Ek, Trade and Promotion Coordinator
Foreign Agricultural Service
Trade Assistance and Promotion Office
Phone : (202) 720-7420
Fax : (202) 690-4374
E-mail: Nemeth@fas.udsa.gov

U.S. Department of State
Philippine Desk
EAP/PIMBS
2201 C Street, NW
Washington, D.C. 20250
Phone : (202) 647-1221
Fax : (202) 736-4559Fax (202) 736-4559Fax (202) 736-4559Fax (202) 736-4559Fax : (202) 736-4559Fax : (202) 736-4559Fax (202) 736-4559Fax : (202) 736-4559Fax : (202) 736-4559Fax : (202) 736-4559Fax : (202) 736-4559Fax (202) 736-4559

United States-Asia Environmental Partnership Program (US-AEP)
Jeremy Hagger, Managing Director
US-AEP/Asia near East Bureau USAID
1300 Pennsylvania Ave. NW
Washington, D.C. 20523-4101
Phone : (202) 712-0270
Fax : (202) 216-3379

E-mail: jehagger@usaid.gov

XII. MARKET RESEARCH AND TRADE EVENTS

APPENDIX F: MARKET RESEARCH

Commercial Reports

Industry Sector Analysis (ISA)

Fiscal Year 1999 Title	Date
Prefabricated Building Components	7/12/99
Computer Services	6/30/99
Hotel & Restaurant Equipment	6/9/99
Agricultural Machinery and Equipment	2/18/99

International Market Insight (IMI)

Fiscal Year 1999 Title	Date
Japanese Overseas Development Assistance: Road and Bridge Projects	7/6/99
Practice of Civil Engineering in the Philippines	7/6/99
Philippine Bridge Requirements	6/8/99
Opportunities in the Philippine Housing Market	6/3/99
Philippine Electric Power Update	5/10/99
4th International Exhibit on Fire Protection, Safety, Security and Emergency Systems '99	5/10/99
Water Districts Development Project: A World-Bank Funded Project to Support Philippine Wastewater Infrastructure	5/10/99
Environmental Infrastructure Business Opportunities from Local Government Units Under the Philippine Build-Operate-Transfer (BOT) Program	5/10/99
Philippine Guidelines on International Satellite Communications	5/6/99
Asiafood Expo 1999	5/4/99
Motorshow International Philippines	5/3/99
Proposed Public-Private Partnership Scheme	

for North Laguna Water Supply and Sanitation Program	4/30/99
Mananga River Development Project Phase II	4/30/99
Informatex Telecom Asia '99	4/26/99
Graphic Expo '99	4/21/99
Bayanmap Corporation: Opportunities for Geographic Information Systems (GIS) Applications	4/7/99
Regulation for Importation of Remanufactured, Rebuilt and/or used Motor Vehicle Parts	4/6/99
COMDDAP Expo '99	4/6/99
Philippine Aviation Projects	3/24/99
Philippine International Construction Machineries and Building Materials Exhibition with Technology Forum	3/23/99
Health Maintenance Organizations	3/23/99
Omnibus Power Industry Act of 1998	3/23/99
Powertrends 2000+	3/23/99
IT Opportunities in the Philippine Financial System	3/22/99
Opportunities from the Build-Operate-Transfer Program	3/15/99
Metro Manila Air Quality Improvement Sector Development Program	2/26/99
Water Treatment Opportunities for Hog-Raising Industry	2/24/99
Department of Interior and Local Government-Environmental Business Opportunity	2/23/99
Miyazawa Fund: A New Japanese Tied Fund Approach	2/19/99
Electric Power Projects	2/17/99
Japanese Overseas Development Assistance: 22nd Yen Loan Projects	2/16/99
Philippine Sugar Modernization Program	2/16/99
Land Registration Authority's Land Titling Computerization Project: Update Report	2/11/99
Japanese ODA: Southern Mindanao Coastal Zone Management Project (SMICZM)	2/10/99
ODA: Miyazawa Fund for the Energy Sector	2/9/99
Accreditation of Innovative Technologies	2/9/99
2nd Global Year 2000 (Y2K) Summit	2/8/99
Japanese Overseas Development Assistance	

to the Philippines: Projects for Possible Financing Under the 23rd Yen Loan Package	2/5/99
Japanese Overseas Development Assistance: Philippine Maritime Safety Improvement Projects	
Aviation, Maritime and Defense Show '99	2/1/99
Bureau of International Revenue's Tax Computerization Project	1/29/99
FINLINK Financial Information System	1/29/99
Philippine International Cable Show '99	1/28/99
Guidelines for the Philippine Agriculture and Fisheries Modernization Program	1/27/99
Philippine Agrarian Reform Communities Project	1/19/99
Trade Publications	12/15/98
1998 Automotive Trade & Investment Measures	11/11/98
Philippine Agriculture and Fisheries Program	10/9/98

Agricultural Reports

Title	Date
1999 FMI/USFES Supermarket Industry	6/30/99
Convention Coconut Products Export - January 1999	6/30/99
Coconut Products Export - Februrary 1999	6/30/99
Forest Products Annual - 1999	6/29/99
Coconut Products Export - December 1998	6/16/99
Cotton Annual - 1999	6/7/99
Planting Seeds Annual - 1999	5/31/99
Tobacco Annual – 1999	5/31/99
Coffee Annual – 1999	5/14/99
Philippines Liberalizes Rice Imports	5/4/99
Oilseeds and Products Annual – 1999	5/3/99
Report for January -March 1999	
Philippines Annual Marketing Plan AMP Mid YR Review 1999	4/15/99
Philippines Sugar Annual 1999	4/12/99
January - March 1999 Pork and Poultry MAV Update	
Great American Food Show 1999, Philippines	4/12/99
Philippines Raises Guard Against Malaysian Pig/Pork Imports	3/31/99
Agricultural Trade Policy Monitoring Report	3/31/99
Duty-Free Importation (Grain & Feed)	2/26/99

Duty-Free Importation (Oilseeds and Products)	2/26/99
Duty-Free Importation (Dairy, Livestock and Poultry)	2/25/99
Duty-Free Importation (Seafood)	2/25/99
Duty-Free Importation (Planting Seeds)	2/25/99
Philippine's Minimum Access Volume for Pork	2/23/99
Coconut Products Export - November 1998	2/23/99
Coconut Products Export - October 1998	2/23/99
Coconut Products Export - September 1998	2/22/99
Coconut Products Export - August 1998	2/22/99
Philippine Agriculture Contracts in 1998	2/18/99
Grain and Feed Annual - 1999	2/06/99
Quarterly Planning and Accomplishment Report	2/03/99
Philippines Quarterly Planning and Accomp.	2/1/99
Copra and Products Update - January 1999	1/22/99
The IRR of the Agriculture and Fisheries Modernization Act of 1997	1/08/99
Philippine Asparagus Production and Trade	12/10/98
Philippine Market Report 1998	12/09/98
Coconut Products Export - July 1998	11/23/98
Coffee PSD Update	11/15/98
Philippine Comprehensive Agrarian Reform Program	10/27/98
Philippine Irrigation Development Program	10/27/98
Coconut Products Export - May 1998	10/16/98
Coconut Products Export - June 1998	10/16/98
Soybean Meal PSD Revision	10/16/98
Trade Leads Report	10/15/98
Buyer Alert Report	10/15/98
Sugar Semi-Annual	10/1/98

Note: A complete list of market research is available on the NTDB as planned in the FY2000 CCG. Contact Valerie Evans at (202) 482-1192 for the current status.

APPENDIX G: TRADE EVENT SCHEDULE

Name of Event: ENVIRONTECH '99 (The 4th International Trade Fair on Green Product and Environmental Technologies)
Date: September 30 to October 2 , 1999
Location: Mega Trade Hall 3, 5th Level, Bldg. B, SM Megamall, Mandaluyong City
Organizer: Philippine Business for the Environment (PBE)

G/F, Development Academy of the Philippines
(DAP) Bldg., San Miguel Ave., Pasig City
Phone : (632) 635-3670/2651
Fax : (632) 631-5714
E-mail : ctem@mnl.cyberspace.com.ph
pbe@psdn.org.ph
Contact: Inier Loyola Candor

USG Involvement: U.S.-Asian Environmental Partnership is organizing a U.S. Pavilion.
Contact info:
U.S. - Asian Environmental Partnership (US-AEP)
Office of Technology Cooperation
Alma Bella P. Madrazo, Ph.D., Director
c/o U.S. & Foreign Commercial Service
Seafront Compound, Roxas Boulevard
Pasay City
Phone : (632) 804-0436
Fax : (632) 804-0340
E-mail: AMadrazo@cs.doc.gov

Name of Event: METALWORKING TOOLS PHILIPPINES '99
4th International Machine Tools, Metalworking & Allied Industries Exhibition
Held in conjunction with:
WELDING PHILIPPINES '99
2nd International Welding Equipment, Tools, Services, Technology & Training Exhibition

Date: October 21-24, 1999

Location: World Trade Center Metro Manila

Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan

USG involvement: No direct involvement

Name of Event: PACKAGING & FOOD PROCESSING PHILIPPINES '99
4th International Packaging & Food Processing Machinery Equipment & Technology Exhibition

Held in conjunction with:
FRANCHISING PHILIPPINES '99
2nd International Exhibition for Franchising, Licensing and Business Opportunities

Date: October 21-24, 1999
Location: World Trade Center Metro Manila
Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan
USG involvement: No direct involvement

Name of Event: PHIL PRINT '99
2nd International Printing Machinery, Paper & Graphic Arts Equipment, Accessories & Supplies Exhibition
Date: October 21-24, 1999
Location: World Trade Center Metro Manila
Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan
USG involvement: No direct involvement

Name of Event: PLASTICS & RUBBER PHILIPPINES '99
4th International Plastics & Rubber Machinery, Technology, Materials & Services Exhibition
Date: October 21-24, 1999
Location: World Trade Center Metro Manila
Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone : (632) 750-8587 to 92

Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan
USG Involvement: No direct involvement

Name of Event: WOODMACH/FURNITECH PHILIPPINES '99
6th International Wood, Woodworking & Furniture Making Machinery, Accessories & Supplies Exhibition
Date: October 21-24, 1999
Location: World Trade Center Metro Manila
Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan
USG involvement: No direct involvement

Name of Event: SAFETY, SECURITY & EMERGENCY '99
4th International Exhibit on Fire Protection, Safety, Security and Emergency Systems
Date: October 28-30, 1999
Location: Philippine International Convention Center
Organizer: World Exhibitions and Conventions, Inc. (WORLDEXCO)
D-433 Delegation Bldg.
Philippine International Convention Center
CCP Complex, Roxas Blvd., Manila
Phone : (632) 834-2404; 832-0309 loc. 7151
Fax : (632) 834-0602; 521-3096
E-mail: wdx@amanet.net
Contact: Lynn Z. Romero
USG involvement: No direct involvement

Name of Event: ASIA PACIFIC FRANCHISE SHOW '99
7th International Conference and Exhibition of the Philippine Franchise Association in Cooperation with the Philippine Retailers Association
Date: November 5-7, 1999

Location: Megatrade Hall, SM Megamall
Organizer: World Exhibitions and Conventions, Inc.
(WORLDEXCO)
D-433 Delegation Bldg.
Philippine International Convention Center
CCP Complex, Roxas Blvd., Manila
Phone : (632) 834-2404; 832-0309 loc. 7151
Fax : (632) 834-0602; 521-3096
E-mail: wdx@amanet.net
Contact: Lynn Z. Romero
USG involvement: No direct involvement

Name of Event: PHILTRONICS '99
8th Philippine International Electronics
Manufacturing Technology Exhibition &
Conference
Date: November 10-12, 1999
Location: World Trade Center Metro Manila
Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan
USG involvement: No direct involvement

Name of Event: CIMAP '99
2nd International Controls, Instrumentation,
Measuring & Testing and Analytical Technology
Exhibition & Conference
Date: November 10-12, 1999
Location: World Trade Center Metro Manila
Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan
USG involvement: No direct involvement

Name of Event: ENVIRO-TECH PHILIPPINES '99
International Environmental, Pollution,
Water & Waste Water Management Technology,
Equipment & Control Systems Exhibition
Date: November 10-12, 1999
Location: World Trade Center Metro Manila
Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan
USG involvement: No direct involvement

Name of Event: PUMPS & VALVES PHILIPPINES '99
2nd International Pumps, Valves, Pipes &
Filtration Technology Exhibition & Conference
Date: November 10-12, 1999
Location: World Trade Center Metro Manila
Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan
USG involvement: No direct involvement

Name of Event: PUMPS & SYSTEMS PHILIPPINES '99; VALVES & FITTINGS PHILIPPINES '99; TUBES & PIPINGS PHILIPPINES '99; COMPRESSORS & SYSTEMS PHILIPPINES '99; HYDRAUPNEUMATICS PHILIPPINES '99; MIXERS PHILIPPINES '99; HEAT EXCHANGERS PHILIPPINES '99; POLLUTEX '99; MOTION SYSTEMS PHILIPPINES '99; INCORPORATING MOTION CONTROLS PHILIPPINES '99 AND POWER TRANSMISSION PHILIPPINES '99

(The 2nd International Exhibition on Rotating Equipment, Fluids & Air Handling Systems, HydrauPneumatics & Motion Systems, Thermal & Mechanical Processing Equipment and Pollution Control in the Philippines)

Date: November 10-13, 1999

Location: Philippine Trade Training Center (PTTC)

Organizer: HQ Link Philippines, Inc.
Unit B, 8th Floor, Cacho-Gonzales Bldg.
101 Aguirre St., Legaspi Village, Makati City
Phone : (632) 810-3694; 810-5685
Fax : (632) 815-3152
E-mail : hqlinkph@webquest.com
Contact: Cris M. Navarro

USG involvement: No direct involvement

Name of Event: 9TH PHILCONSTRUCT WITH TECHNOLOGY FORUM '99
9th Philippine International Construction Machineries and Building Materials Exhibition with Technology Forum

Date: November 18-21, 1999

Location: World Trade Center Metro Manila and
Philippine Trade Training Center
Roxas Boulevard, Pasay City

Organizer: Convention & Exhibition Managers International Corporation (CONVEX)
Unit 705 Annapolis Wilshire Plaza
11 Annapolis Street, Greenhills
San Juan, Metro Manila
Phone : (632) 726-8664/65; 726-4128 to 30
Fax : (632) 724-4578
E-mail: convex@mozcom.com
Contact: Rachel Cortez

USG involvement: CS Manila is organizing a catalog show.

Name of Event: JEWELLERY PHILIPPINES '99
2nd GPJ-Philippines Jewellery, Watch & Clock Exhibition

Date: November 25-26, 1999

Location: World Trade Center Metro Manila

Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village

Makati City
Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan
USG involvement: No direct involvement

Name of Event: HOTELEX 2000
9th International Trade Exhibit on Hotel and Restaurant Equipment, Supplies, Services, Food and Beverage
Date: February 17-19, 2000
Location: World Trade Center Metro Manila
Organizer: World Exhibitions and Conventions, Inc. (WORLDEXCO)
D-433 Delegation Bldg.
Philippine International Convention Center
CCP Complex, Roxas Blvd., Manila
Phone : (632) 834-2404; 832-0309 loc. 7151
Fax : (632) 834-0602; 521-3096
E-mail: wdx@amanet.net
Contact: Lynn Z. Romero
USG involvement: No direct involvement

Name of Event: CHEFS ON PARADE '99
Date: February 17-21, 2000
Location: World Trade Center Metro Manila
Organizer: Hotel and Restaurant Association of the Philippines (HRAP)
Rm. 205, Regina Bldg., Aguirre St.
Legaspi Village, Makati City
Tel. : (632) 815-4659 or 61
Fax : (632) 815-4663
E-mail : hrap@mnl.sequel.net
Contact: Ms. Elizabeth dela Fuente
USG Involvement: No direct involvement

Name of Event: DOWNSTREAM OIL INDUSTRY EXPO 2000
The First International Conference on Downstream Oil Industry and Allied Business and Services
Date: March 15-17, 2000
Location: Philippine Trade Training Center

Roxas Boulevard, Pasay City, Metro Manila
Organizer: Expovision Trade Services, Inc. (EXPOTRADE)
2/F Veca Bldg., Pasong Tamo cor. Estrella St.
Makati City
Phone : (632) 895-5135; 890-7540
Fax : (632) 890-7531
E-mail: xpotrade@weblink.com
Contact: Tes L. Hernandez
USG involvement: No direct involvement

Name of Event: WORLDBEX 2000
5th Philippine World Building and
Construction Exposition
Date: March 15-19, 2000
Location: World Trade Center Metro Manila
Organizer: Worldbex Services International
510 Boni Ext. corner San Joaquin St.
Mandaluyong City
Phone : (632) 531-6350/6374
Fax : (632) 533-2026
E-mail : worldbex@pacific.net.ph
Contact: Joseph L. Ang
USG involvement: No direct involvement

Name of Event: CABLE SHOW 2000
8th Annual Philippine International Cable
Television Convention and Exhibition
Date: April 5-7, 2000
Location: To be announced
Organizer: World Exhibitions and Conventions, Inc.
(WORLDEXCO)
D-433 Delegation Bldg.
Philippine International Convention Center
CCP Complex, Roxas Blvd., Manila
Phone : (632) 834-2404; 832-0309 loc. 7151
Fax : (632) 834-0602; 521-3096
E-mail: wdx@amanet.net
Contact: Lynn Z. Romero
USG involvement: No direct involvement

Name of Event: FRELOTECH ASIA 2000
The 2nd International Conference & Exhibits
on Freight and Distribution Technologies

Date: May 9-11, 2000
Location: Philippine Trade Training Center
Roxas Boulevard, Pasay City, Metro Manila
Organizer: Expovision Trade Services, Inc. (EXPOTRADE)
2/F Veca Bldg., Pasong Tamo cor. Estrella St.
Makati City
Phone : (632) 895-5135; 890-7540
Fax : (632) 890-7531
E-mail: xpotrade@weblink.com
Contact: Tes L. Hernandez
USG involvement: No direct involvement

Name of Event: TELECOMEX ASIA 2000
(The Sixth Philippine International Exhibition and Conference on Mobile Telecommunications)
ASIA MOBILECOMM 2000
(The Third Philippine International Exhibition and Conference on Mobile Telecommunications)
Simultaneous with:
ASIA NETWORKING 2000
(The Second Philippine International Exhibition and Conference on Networking)
ASIA BROADCAST 2000
(The Third Philippine International Exhibition and Conference on Broadcasting Equipment and Technology)
Incorporating
Asia Cable & Satellite 2000
(The Second Philippine International Exhibition and Conference on Cable and Satellite Equipment and Technology)
Asia Pro-Audio 2000
(The Second Philippine International Exhibition and Conference on Professional Audio and Video Equipment and Technology)
Date: May 17-20, 2000
Location: World Trade Center Metro Manila
Organizer: HQ Link Philippines, Inc.
Unit B, 8th Floor, Cacho-Gonzales Bldg.
101 Aguirre St., Legaspi Village, Makati City

Phone : (632) 810-3694; 810-5685
Fax : (632) 815-3152
E-mail : hqlinkph@webquest.com
Contact: David Chow

USG involvement: US&FCS organizing a U.S. Pavilion.
Contact info:
Aida L. Miranda, Senior Commercial Specialist
U.S. & Foreign Commercial Service
American Embassy Manila
Phone : (632) 804-0301/0305; 523-1001
Fax : (632) 804-0339
E-mail: Aida.Miranda@mail.doc.gov

Name of Event: FOOD AND HOTEL PHILIPPINES 2000
The 3rd International Hotel, Restaurant, Retail, Catering Equipment, Food and Drink Exhibition
Incorporating:
WINE & SPIRITS PHILIPPINES 2000
The 3rd International Wine & Spirits Exhibition, incorporating Beer Philippines

BAKERY PHILIPPINES 2000
The 3rd International Equipment & Supplies for Bakery & Confectionery Industry Exhibition

SUPERMARKET PHILIPPINES 2000
The 3rd International Retail Equipment, Shopfittings & Services Exhibition

PROPAK PHILIPPINES 2000
The International Food Processing & Packaging Machinery, Equipment & Materials & Printing for Packaging Exhibition

PHARMAPAK PHILIPPINES 2000
The International Pharmaceutical and Cosmetics Packaging & Processing Exhibition

Date: May 31-June 3 , 2000
Location: World Trade Center Metro Manila
Organizer: Philippine International Exhibitions and Conventions Inc. (PIEC Inc.)

9/F PS Bank Tower, Sen. Gil Puyat Avenue
Makati City
Phone : (632) 759-3263 to 66/759-2188/2189
Fax : (632) 759-3250/28/33
E-mail: piecinc@portalinc.com
Contact: Philip Jenkinson

USG involvement: FAS Manila will have a booth at the Food & Hotel Philippines 2000.

Name of Event: INDUSTRIAL TRADE FAIR PHILIPPINES (ITP 2000)
The International Exhibition of Machinery and Equipment for Manufacturing Industries in the Philippines

METAL PHILIPPINES 2000
The International Machine Tool, Metalworking, Welding, Mould & Die Exhibition

ELECTRONICS PHILIPPINES 2000
The International Exhibition for Printed Circuit Board & Surface Mount Technology, Semiconductor Production & Assembly

AUTOMATION TECHNOLOGY PHILIPPINES 2000
The International Exhibition for Automation, Robotics, Pneumatics & Hydraulics

Date: June 21-24, 2000

Location: World Trade Center Metro Manila

Organizer: Philippine International Exhibitions and Conventions Inc. (PIEC Inc.)
9/F PS Bank Tower, Sen. Gil Puyat Avenue
Makati City
Phone : (632) 759-3263 to 66/759-2188/2189
Fax : (632) 759-3250/28/33
E-mail: piecinc@portalinc.com
Contact: Philip Jenkinson

USG involvement: No direct involvement

Name of Event: IECEP 2000
The International Trade Exhibition and Conference on Convergent Technologies of the Institute of Electronics and Communication Engineers of the Philippines, Inc.

Date: June 21-24, 1999
Location: World Trade Center Metro Manila
Organizer: Philippine International Exhibitions and
Conventions, Inc. (PIEC Inc.)
Room 909 PSBank Tower
Senator Gil Puyat Avenue cor. Urban Avenue
Makati City, Philippines
Tel. : (632) 759-3263 to 66
Fax : (632) 759-3250
E-mail : piecinc@portalinc.com
Contact : Mr. Phil Jenkinsen
USG involvement: No direct involvement

Name of Event: CORPORATE GIVEAWAYS 2000
12th Annual Buyers' Show on Business Gifts,
Premiums, Promotional Ideas and Merchandise
Incentives
Simultaneous with:
ASIAGIFTS INTERNATIONAL 2000
4th Asian International Gifts, Toys and
Houseware Show
Date: July 6-8, 2000
Location: To be announced
Organizer: World Exhibitions and Conventions, Inc.
(WORLDEXCO)
D-433 Delegation Bldg., Philippine
International Convention Center
CCP Complex, Roxas Blvd., Manila
Phone : (632) 834-2404; 832-0309 loc. 7151
Fax : (632) 834-0602; 521-3096
E-mail: wdx@amanet.net
Contact: Lynn Z. Romero
USG involvement: No direct involvement

Name of Event: PHIL APTEX/GARMETECH PHILIPPINES 2000
3rd International Garment, Textile, Footwear
& Leather Machinery & Accessories Exhibition
Date: July 13-16, 2000
Location: World Trade Center Metro Manila
Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village
Makati City

Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan

USG involvement: No direct involvement

Name of Event: SHOP ASIA 2000 AND SUPERMARKET SHOW 2000
The 5th International Conference on Supermarket and Retailing Industry and Exhibits on Related Equipment, Products and Technologies
Date: July 13-16, 2000
Location: World Trade Center Metro Manila
Roxas Boulevard, Pasay City, Metro Manila
Organizer: Expovision Trade Services, Inc. (EXPOTRADE)
2/F Veca Bldg., Pasong Tamo cor. Estrella St.
Makati City
Phone : (632) 895-5135; 890-7540
Fax : (632) 890-7531
E-mail: xpotrade@weblink.com
Contact: Tes L. Hernandez

USG involvement: No direct involvement

Name of Event: Agent Show 2000
Date: August 2000
Location: Cebu, Davao
Organizer: Foreign Agricultural Service
4th Floor, 395 Sen. Gil Puyat Ave., Makati City
Phone : (632) 523-1001 ext. 2270; 895-9536
Fax : (632) 890-2728
E-mail: agmanila@fas.usda.gov
Contact: Joy Canono

USG involvement: FAS Manila will organize show.

Name of Event: AUTOSTOP PHILIPPINES 2000
International Garage & Workshop Equipment, Automotive Parts & Accessories Exhibition
Date: August 24-27, 2000
Location: World Trade Center Metro Manila
Organizer: IIR Exhibition Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
Valero St. cor. Herrera St., Salcedo Village

Makati City
Phone : (632) 750-8587 to 92
Fax : (632) 750-8585
E-mail : abliirx@skyinet.net
Contact: Patrick Lawrence Tan

USG involvement: No direct involvement

Note: Firms should consult the export promotion calendar on the NTDB, or contact the Post commercial section for the latest information or to arrange individual trade programs.